MARCH 1990 $2.50

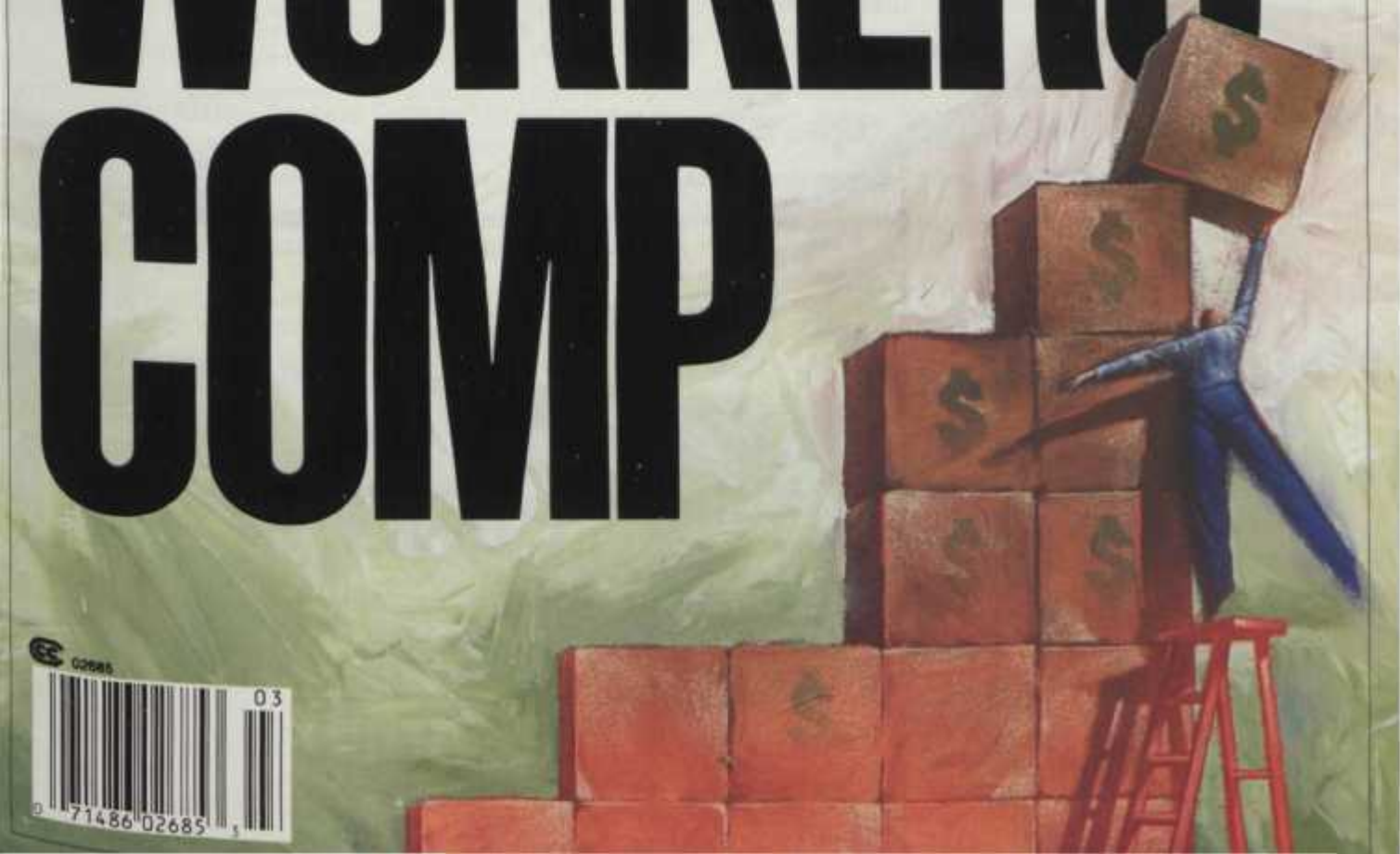
Nation's Business

Big Profits Despite Losing In The NBA

Tax Increases That Could Affect You

Franchising: Roaring Into The 1990s

FIGHTING THE HIGH COST OF WORKERS' COMP



03
0 71486 02685 1



THERE WAS A TIME WHEN ALL YOU NEEDED TO SUCCEED IN BUSINESS
WAS A LOT OF AMBITION AND A LITTLE LUCK.



TODAY YOU NEED A LITTLE MORE.

Share the benefits of Corporate Membership with America's best.

The American Express® Corporate Card is designed to show our commitment to help growing companies like yours become even more successful.

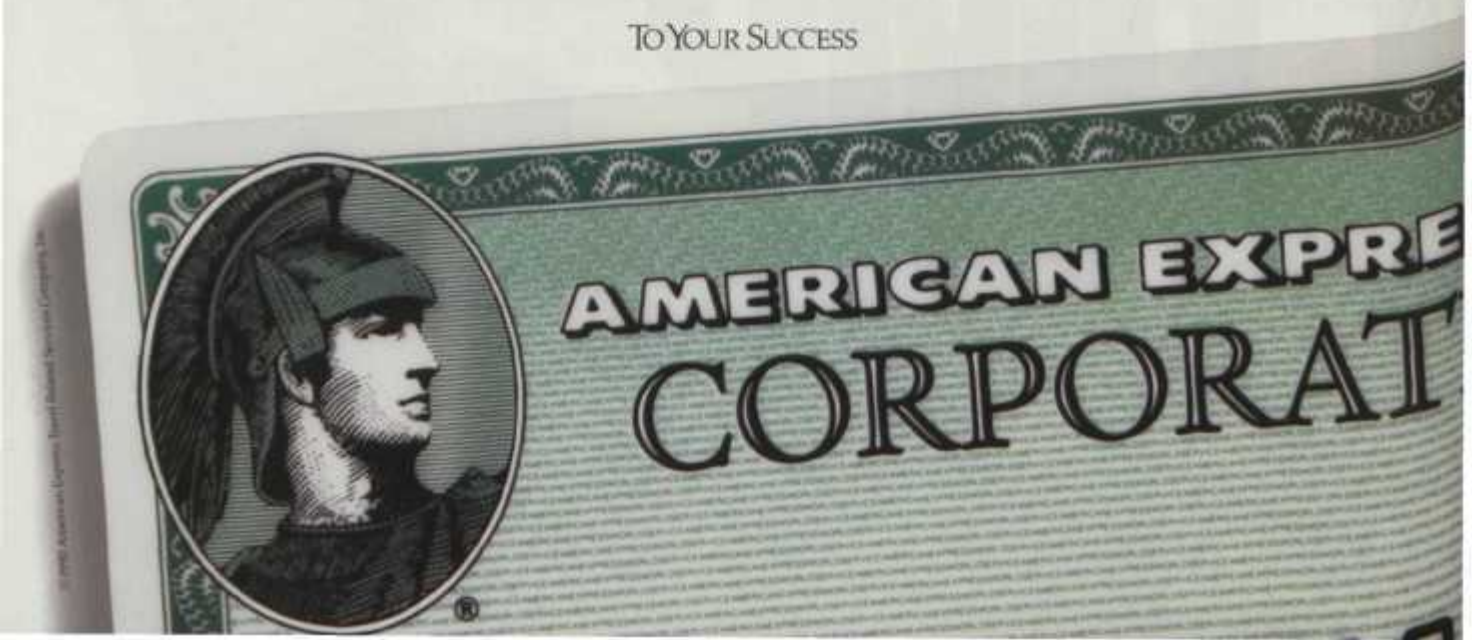
Corporate Membership offers you an exclusive package of benefits customized for small business. Benefits like accident disability insurance, Quarterly Management Reports, savings on hotels, savings on car leases, travel accident insurance, 24-hour customer service.

Many of America's most admired companies and more than a million dynamic entrepreneurs have discovered how well the Corporate Card succeeds.

The Corporate Card from American Express. Preferential treatment for America's best.

For information about Corporate Membership for small business, call 1 800-SUCCESS.

TO YOUR SUCCESS



Learn To Survive In The Year Ahead 1990 ...and be more successful too!

We're Ready

Dale Carnegie® is ready to help you do both. Let us show you how to:

- Sharpen the personal skills that put you in control of business and social situations
- Pursue your goals more efficiently and effectively

Dale Carnegie Training® can show you how to speed up your personal development. It can help you deal better with other people in any setting.

The Dale Carnegie Course® In Effective Speaking and Human Relations

In The DALE CARNEGIE COURSE IN HUMAN RELATIONS AND EFFECTIVE SPEAKING, people learn to understand themselves better, and gain self-confidence. They become more decisive. They better direct their personal lives and have more success in their business lives.

The Dale Carnegie Management Seminar®

In our MANAGEMENT SEMINAR, we help participants understand what motivation is and how to trigger in others the desire to become self-motivated. Managers learn to obtain outstanding results from their people through willing cooperation.

The Dale Carnegie Sales Course®

In The SALES COURSE we focus on motivational selling. Participants learn essential human relations principles and how to apply them to the art of selling. Then they sell more than ever before.

Lifelong Skills

All of our training focuses on communication, human relations, and self-confidence. Participants in Dale Carnegie Training learn self-motivation, persuasion, and organization.

Proven Results

Since 1912, over three million men and women in diverse businesses and occupations have come to Dale Carnegie to learn how to improve themselves, their businesses, and their organizations.

Isn't that what you want, too? Let us help you survive and succeed in 1990.

For your free copy of our booklet that outlines the objectives and benefits of our courses, call toll-free **(800) 231-5800**. Or write directly to the address below.

DALE CARNEGIE & ASSOCIATES, INC.

6000 DALE CARNEGIE DRIVE (PVT.), Suite 730N
HOUSTON, TEXAS 77036

Accredited by the Accrediting Council for Continuing Education & Training, Inc.

Circle No. 1 on Reader Service Card.

Nation's Business VOL. 78, NO. 3



PHOTO: T. MICHAEL KEZA

Workers' compensation *cost hikes could put some small firms out of business. Cover Story, Page 20.*



PHOTO: ©JIM GUND

The not-so-winning *Charlotte, N.C., Hornets have attracted fans and made money. Marketing, Page 32.*



PHOTO: ©DAVID MURRAY JR.—ETOCK SOUTH

Business skill—*not baking talent—has been Michael Coles' recipe for cookie-making success. Franchising, Page 61.*

COVER STORY

20 Fighting The High Cost Of Workers' Compensation

Small-business owners, stung by rapidly rising costs for workers' compensation insurance, are demanding reform—before they are taxed out of business.

22—California's Radical Proposal
23—Workers' Comp Trouble Spots
26—How To Control Workers' Comp

CONTRACTING

29 A Demanding Customer

Selling goods and services to federal agencies can be rewarding for small firms that pay strict attention to Uncle Sam's requirements.

MARKETING

32 A Winning Game Plan

With smart packaging and customer service, pro basketball's Charlotte Hornets—even though they have been losing—have packed in the fans and racked up profits.

37 Service In A Box

A small firm shows how it has won customers who are willing to place phone orders for its big-ticket products without seeing them first.

WORKPLACE

42 The Creative Touch

Are you doing all you can to foster your employees' creativity? Before you answer, consider these points.

TAXES

46 Tax Changes Spell Increases

The array of tax-law changes that Congress passed last year may look like minor matters—until they start costing your company.

58 Curbing Taxes On Business Cars

These tips will help you make the most of tax write-offs for the car you use in business.

LEADERSHIP

50 Back Into The Shark Tank

Harvey Mackay, entrepreneur turned best-selling author, returns with another volume of practical wisdom.

TECHNOLOGY

53 Small-Business Computing

Programs for projecting your budget or writing your personnel policy; answers for a number of your questions.

FRANCHISING

61 Franchising Roars Into The '90s

By seizing opportunities at every turn of consumer preferences, franchising achieved phenomenal growth in recent years and set the course for more prosperity by small firms in the decade ahead.

FAMILY BUSINESS

71 Seminars And The "Family Culture"

A time to learn, a time to pull back, a time to make commitments—all for the family—plus a case study about taking charge.

Published by the U.S. Chamber of Commerce Washington, D.C.



PHOTO: ©MARK PERLSTEIN

Tuan Huynh's triumph: *From Vietnamese refugee to American entrepreneur. Making It, Page 14.*

DEPARTMENTS

4 **Letters**
6 **Entrepreneur's Notebook**
8 **Small-Business Update**
12 **Dateline: Washington**
14 **Making It**
76 **To Your Health**
77 **It's Your Money**
79 **For Your Tax File**
80 **Classified Ads**
83 **Direct Line**
85 **Where I Stand**
86 **Congressional Alert**
87 **Editorials**
88 **Free-Spirited Enterprise**

Cover Design: Thomas E. Snoreck
Cover Illustration: Sam Ward

Nation's Business (ISSN 0028-047X) is published monthly at 1615 H Street, N.W., Washington, D.C. 20062. Tel. (202) 463-5650 (editorial). Advertising sales headquarters: 711 Third Ave., New York, N.Y. 10017. Tel. (212) 370-1440. Copyright © 1990 by the United States Chamber of Commerce. All rights reserved. Subscription prices (United States and possessions): one year, $22; two years, $35; three years, $46. In Canada and all other foreign subscriptions, add $10 per year. In combination with the newspaper *The Business Advocate*, one year, $50; two years, $85; three years, $99. Printed in U.S.A. Second class postage paid at Washington, D.C., and additional mailing offices. Postmaster: Please send form 3579 to 4940 Nicholson Court, Kensington, Md. 20895. Subscriber Service: 1-800-638-6582 (in Maryland, 1-800-352-1450). **Photocopy Permission:** Where necessary, permission is granted by the copyright owner for those registered with the Copyright Clearance Center (CCC), 21 Congress St., Salem, Mass. 01970, to photocopy any article herein for a flat fee of $1.50 per copy of each article. Send payment to the CCC. Copying without express permission of *Nation's Business* is prohibited. Address requests for bulk reprints to *Nation's Business* Reprints, 1615 H Street, N.W., Washington, D.C. 20062, or call (202) 463-5877. ISSN 0028-047X/2.50.

Editor's Note

A Builder, Not A Risk Manager

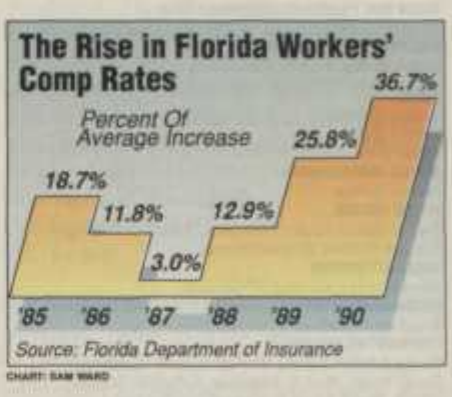


CHART: SAM WARD

This chart demonstrates clearly why William Solburg is worried about the future of his small business in Florida. He's a home builder, but he echoes the views of all types of entrepreneurs when he says: "I'm not an insurance expert. And I'm not a risk manager. I'm a builder. But I'm trying to figure out a solution to this problem, because workers' comp is taxing the small employer in Florida right out of business."

The problem is one facing small businesses in many parts of the country, and that's why it is the subject of this month's cover story by Senior Editor Roger Thompson. He found small-business owners typically don't pay much attention to workers' compensation until the rates become unbearably high.

Lately, Thompson reports, "a lot of business owners have been paying attention for just that reason. Rather than just complain, they are banding together to press for legislative reforms. They played key roles last year in successful reform drives in Texas and Louisiana, and they are organizing to press for major changes in Florida and Maine. One of the most encouraging aspects of the situation is that there are remedies for much that ails the workers' comp system in high-cost states."

The article shows that administrative reforms can reduce costly litigation and streamline the ways that claims are handled. Medical-fee schedules can trim doctors' bills. And payment guidelines can more clearly define what benefits are available for certain types of relatively new stress and disease claims.

While it's not too hard to identify effective reforms, the tough part for business is flexing enough political muscle to get the job done. But the experience of organized small-business groups in several states shows that it can be done. This month's cover story provides an excellent starting point for entrepreneurs who want to try.

Robert T. Gray
Editor

Nation's Business

Letters

The United States Chamber of Commerce, publisher of NATION'S BUSINESS, is a federation of businesses, trade associations, local and state chambers, and American chambers of commerce abroad.
CHAIRMAN OF THE BOARD
John L. Clendenin
PRESIDENT
Dr. Richard L. Lesher
GROUP VICE PRESIDENT/COMMUNICATIONS
Dr. Carl Grant
VICE PRESIDENT/PUBLISHING
David A. Roe

EDITOR
Robert T. Gray
DEPUTY EDITOR
Ripley Hotch
SPECIAL CORRESPONDENT
Sharon Nelton
SENIOR EDITORS
John C. Szabo, Roger Thompson, Albert G. Holzinger, Terrence F. Shea, Michael Barrier
ASSOCIATE EDITORS
Janet Lowenstein, Meg Whittemore
EDITORIAL ASSISTANT
Bradford A. McKee
CONTRIBUTING EDITORS
Henry Altman, Gerald W. Padwe, Julie Candler, Harry Bacas, Paul N. Strassels, Jeffery D. Marcos, John L. Ward, Craig E. Aronoff, Jon Pepper

ART DIRECTOR
Hans A. Baum
ASSISTANT ART DIRECTOR
Wendy Kelly
SENIOR ARTISTS
Angela Reed Breese, Thomas E. Snoreck, Mark R. Bacon
PHOTO DEPARTMENT
Laurence L. Levin, photo editor
Frances Borchardt, assistant photo editor
T. Michael Keza, chief photographer

PRODUCTION DIRECTOR
Sheila Yoder
PRODUCTION MANAGER
Jeffrey W. Bartlett
PRODUCTION ADMINISTRATOR
Seretha Armstrong

U.S. ADVERTISING
Robert H. Gotshall, marketing director
(313) 354-1180
Pete McCutchen, Eastern advertising director
(212) 370-1440
Kathleen Brown, administrator
ADVERTISING MANAGERS
Atlanta (404) 393-0140
James M. Yandle
Chicago (312) 346-3526
Terry Kay Nance
Dallas (214) 387-0404
Richard Chalkley
Southfield, Mich. (313) 354-1180
Richard Topous
Michael McNew
Los Angeles (213) 651-1466
Cathy Adler
New York (212) 370-1440
Jerry V. Camporino, Arthur V. Irwin Jr., Joseph Adduci, Neil Hanlon
San Francisco (415) 421-7438
Richard A. Sands

CLASSIFIED ADVERTISING
(202) 463-5640
Jonathan Shonerd, manager

INTERNATIONAL MARKETING
(202) 463-5716
El Motaz Sonbol, director
Gabriele Klika, Peter Dunn, managers

CIRCULATION
Elizabeth A. Allen, director
Lucy Oliver, manager
Liana Glazer, circulation coordinator

PROMOTION AND RESEARCH
Janine Grossman, director
Nancy Swanson, research manager
Pat Hurt, creative services manager
Gabrielle Fardwell, promotion coordinator

BUSINESS MANAGER
Leonard I. Rippa

Managing To Have Fun

"Management By Fun" [January] hit the nail right on the head.

There is no doubt that employee participation in corporate-sponsored "fun" events and programs is a major, important, and necessary means of getting the most out of workers.

Our company takes this concept a few steps further, to the development of teamwork, fitness, and charitable efforts; morale-boosting; increasing worker pride, loyalty, and productivity; and sparking competitive fire. All this is wrapped up in one through putting employees in the spotlight at "Battle of the Network Stars" types of serious and not-so-serious athletic events involving corporate "teams" nationwide.



PHOTO: ©JANICE RUBIN—BLACK STAR

Flight attendants serve up fun *on Southwest Airlines' flights, proving that you can mix business with pleasure.*

Thanks for publishing such "fun" management philosophies that every corporate higher-up should keep in his or her back pocket.

Richard Katz
Vice President, Marketing
Corporate Sports Battle
Washington, D.C.

I read "Management By Fun" with interest, especially as it discussed my management style at Versatec Inc. when I was president there. That style included casual days, parades, contests, and a Halloween celebration.

I am glad to see that the use of fun as a management strategy is gaining popularity, but I could not help reflecting on what my successor at Versatec said about changing the style and gaining in quality and attitude and becoming more competitive. This is precisely the view that I disagree with: To be competitive, one has to become "serious."

This old-fashioned idea that business and pleasure do not mix is something that modern companies have found unproductive and noncompetitive. I hope that as time goes on, managers of the future will realize that appropriate fun in the workplace results in more quality and more competitiveness.

Renn Zaphiropoulos
Cedar City, Utah

Wellness At Work

We were pleased to see the article "Wellness Works For Small Firms" [December]. The net effect of an employee wellness program could mean the difference between profit and loss, especially for small-business owners who often measure profits in thousands—not millions—of dollars.

I know you didn't intend to overlook the Wellness Councils of America as a national resource for small business. Our network of community-based wellness councils spans the U.S.

Small businesses are among the 2,000 corporate members of 48 wellness councils in 27 states. We simply have not recruited enough small businesses, yet most Americans work in small businesses.

We at the Wellness Councils of America stand ready to help small-business leaders. Your readers are invited to contact us for publications on worksite wellness and to have us link them with a wellness council in their city.

William M. Kizer
Chairman and CEO
Wellness Councils of America
1823 Harney, Suite 201
Omaha, Neb. 68102

The article implies that wellness programs often show a measurable financial return of the investment in facilities and staff. My research shows cost savings are difficult to verify.

My data show that only a modest number of salaried employees, and an even smaller percentage of hourly employees, participate in fitness programs. However, fitness programs do appear to have a positive effect on morale and bring about a health boost for all who participate.

Real cost savers are in-house medical care, counseling, medical screening, dental care, stress management, and substance-abuse counseling. All these

make it possible to control costs of benefits. These services keep people healthy and alert on the job while eliminating the usual half-day trips to the clinic.
D.L. Mullen, D.D.S.
Beloit, Wis.

A Vote For The Disabled

Re your January editorial on the Americans with Disabilities Act ["A Business Forced Into Bankruptcy Can't Provide Opportunities To Anyone"]. You are turning back the clock on disabled citizens by stating that it will cost small businesses up to $50,000 in penalties if they do not obey the law.

Examples in my town show that business people care. One small firm in town employs disabled workers to clean up its offices. Two of our biggest banks employ disabled people to do simple jobs. A local restaurateur and advocate for the disabled is backing the legislation in all areas, including employment of the disabled to clean dishes and perform other duties.

I urge those in the House Energy and Commerce Committee who read this fine magazine to think before they vote on the bill and vote according to what the disabled citizens and business people are telling them, not what they hear from the naysayers.
Patrick R. Schuppe
Fond du Lac, Wis.

[Editor's Note: Reader Schuppe reinforces the point of the editorial, which began with the statement: "Many businesses have long since discovered the benefits of hiring the disabled." We do not believe that the interests of the disabled would be served by the imposition of costly regulations and litigation that could force the closing of businesses that now offer opportunities to them.]

Money And Politics

The January Congressional Alert contained an item concerning campaign reform and proposed limits on contributions to political-action committees ["Campaign Reform And PACs"]. I do not support PACs. I believe that the biggest problem we have with regard to Congress is the virtual invincibility of incumbents who can be anything short of convicted criminals and still get re-elected. One of the factors accounting for this is the financial support that incumbents draw from PACs.

It would be in the country's best interests to find other ways to finance legitimate political campaigns, to make a more even playing field between an incumbent and a bona fide challenger.

Alternatively, a constitutional amendment limiting the terms of senators and representatives also is worth serious consideration.
Theodore F. Frankenbach
Westfield, N.J.

What's In The Mail

We are writing with regard to your January article "Cost Cuts Are In The Mail."

One of the most effective and easiest ways to cut mailing costs is to convert from heavy paper envelopes and mailers to significantly lighter weight and more functional plastic envelopes and mailers.

Not only is the plastic envelope frequently less expensive on an individual-item basis, but its generally lower weight can result in postage savings.
George A. Makrauer
President/CEO
Amko Plastics Inc.
Cincinnati

Women In High Places

The January column "Heirs: Earning One's Good Fortune" made it sound as if our book, *Corporate Bloodlines*, denigrated the fact that Katharine Graham was handed her post upon her husband's death. Had you read our statement in the context of our book, you would have realized that our reference to Mrs. Graham followed a statement that most family-business heads elect not to hand down their businesses to their daughters. But Katharine Graham was handed her business from her husband. There is a difference.

Most women in high positions in business have been handed their jobs, but even this phenomenon is still rare. We are avid proponents of families handing businesses over to qualified females (and males).
Barbara B. Buchholz
Margaret Crane
St. Louis

[Editor's Note: The quote to which the writers refer is this one: "It is still rare to find women at the very top of America's biggest corporations and family businesses. Katharine Graham . . . may be the most visible example. But she inherited her post (as president of the Washington Post Co.) upon her husband's death." Katharine Graham now is chairman of the Washington Post Co.]

Design that makes sense.



Underneath the good looks of every Stran® systems building is cost-saving design that gives you the exact structural combination you need. No more, no less. You can specify fewer interior frames. Wider bay spacing — without waiting for bar joists.

Interested? Then you'll want to know about all your other benefits with Stran. Send in the coupon or call Stran Marketing at 1-800-526-9488.

STRAN BUILDINGS
AMCA INTERNATIONAL

Stran Buildings
6000 Poplar Ave.,#415
Memphis,TN 38119

Please send FREE "Building Ideas in Action"
Name
Title
Company
Address
City
State
Phone
Zip
NB-03/90

Circle No. 2 on Reader Service Card.

ENTREPRENEUR'S NOTEBOOK

Risky Business, Big Rewards



By David Paschal

People looked at me quizzically when I started an oil company in Texas in 1983. The state's oil business was a shambles. Some companies were even becoming acquainted with bankruptcy law. Yet I felt there still was opportunity in the industry, and I knew of a lease available in West Texas. I bought that lease, and in 1984, my first wildcat well hit the jackpot. It confirmed my belief that entrepreneurial success requires careful research, a measure of risk-taking, and a mixture of determination and hard work.

The risks and rewards of business have always excited me. In junior high school, instead of trading baseball cards as the other kids were doing, I used my savings—just under $5,000—to begin trading stocks. I scoured annual reports, searching for hidden treasures. By the time I entered college, in 1972, I had made more than I had lost in the market; I came out on the right side.

By taking classes during the summers, I raced through Baylor University in three years, graduating in 1975 with a double major in management and marketing. During that time, I became increasingly determined to make my mark in business. Although my family background was not business-oriented—my father was a physician—I grew up with entrepreneurial ambitions. Aristotle Onassis, the shipping magnate, was my idea of an entrepreneur. In the years just before his death, I got to know one of his chief associates in New York, and I visited Onassis' offices there a few times while I was in college. I never met Onassis, but my interest in him really spurred me on.

After graduation, however, I discovered that my degree did not guarantee entry to the business world. With a pregnant wife and no employer willing to take a chance on my untested business acumen, I did what I had to do—I took a job. I started out determined to be on my own—I didn't want to be anybody's employee. I said, heck, I'll sell. I took a job selling burglar alarms door-to-door. Eventually, though, I did become an employee—a teller at a downtown bank by day, and a waiter serving up sirloin at a steak house at night.

Being a bank teller gave me a unique vantage point. I watched our customers, noting who made the biggest deposits. Judging from the figures on the deposit slips, construction contractors and real-estate developers were the entrepreneurs creating the Texas-sized fortunes.

David Paschal is president of Paschal Petroleum Inc., in Dallas.

Readers are invited to contribute to Entrepreneur's Notebook. Write to: Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

I decided I wanted to cash in on Dallas' building boom. I had some money stashed away, and I used my savings as a down payment on two dump trucks, which I leased to excavating companies. As a result of this venture, my finances improved.

When oil prices plummeted, I felt that real-estate development would follow, so I sold my trucks and banked the profit. Six months later, the building cranes disappeared from the Dallas skyline, and my competitors had to sell their trucks in a bloated market.

Despite the oil industry's downturn, I believed big profits could still be made from Texas' black gold. Since I had only a rudimentary education in the oil business, I decided to learn the industry from the bottom, with a job as a landman—a title researcher—and all-purpose gofer.

It was 1980, and there I was—26, no job, a mortgage, a wife, and a child. I called every oil company in the Dallas Yellow Pages. I even called Bunker Hunt, the Texas oil millionaire, at home; I had found his number in the White Pages. I told him I wanted to get into the oil business and asked him for five minutes of his time; he had me come to his office, and he gave me maybe 10 or 15 minutes. Meeting Bunker Hunt at that point in my life really gave me fire. He sent me to a company geologist, which led to my next job, as a landman at Spindletop Oil & Gas Co. For three years I got my hands dirty learning every aspect of the oil business. In 1983, I was ready to go out on my own, ready to generate profits for myself as owner of Paschal Petroleum Inc.

I'm not afraid of failure. I know that if I make the wrong decision and lose everything in some venture, I still could find another opportunity and become just as successful as I have been in the oil business.

I cajoled my banker into giving me a $10,000 signature loan to buy an oil lease in an unproven area in Knox County, Texas. I personally raised $70,000, enough to drill the well. It blew in 1984, spewing sizable profits for me and my investors. We have drilled many more wells, whose in-ground reserves total about $35 million.

I attribute my success to two things. I'm not afraid of taking risks—big risks. In fact, I prefer to take big risks because that's the only way to score big returns. And I'm not afraid of failure. I know that if I make the wrong decision and lose everything in some venture, I still could find another opportunity and become just as successful as I have been in the oil business.

One reason I enjoy risk is that I believe in my instincts. They are based on detailed observation of the marketplace, which is my second secret of success. I don't watch deposit slips any more, but I do read many periodicals and get an overview of developments and directions in business. I can spot brewing trends and devise plans to take advantage of the opportunities they present.

Season that with a lot of hard work, and you have the formula for my success.



"Those who have long enjoyed such privileges as we enjoy forget in time that men have died to win them."

FRANKLIN D. ROOSEVELT

Nearly 50 years ago President Roosevelt proclaimed these words when he designated Dec. 15, 1941, as Bill of Rights Day.

This day was to be "...set apart as a day of mobilization for freedom and for human rights, a day of remembrance of the democratic and peaceful action by which these rights were gained, a day of reassessment of their present meaning and their living worth."

Today, as we approach the bicentennial of the adoption of the Bill of Rights, let us all, as President Roosevelt asked of us then, "...rededicate its principles and its practice."

Philip Morris Companies Inc.

Join Philip Morris in support of the National Archives' celebration of the 200th anniversary of the Bill of Rights. For a free copy of this historic document, call 1-800-552-2222, or write Bill of Rights • Philip Morris Companies Inc. • 2020 Pennsylvania Ave. N.W. • Suite 533 • Washington D.C. 20006

Circle No. 41 on Reader Service Card.

Small-Business Update

Early intelligence on resources to help you take advantage of the changing business climate.

LAW

Workers' Crimes Become Companies' Concerns

Negligent practices in hiring, retaining, and supervising employees now represent "three of the hottest issues in current employment law," say two legal specialists in that area.

If a company is negligent in any of those areas, it can become vulnerable to lawsuits stemming from criminal acts by employees whose duties put them in positions to commit such acts, says Albert Zakarian of the Labor & Employment Group of the Boston-based law firm of Day, Berry & Howard.

"If you put a loose cannon on deck, you're going to be responsible for it," he told a recent seminar given by his firm on pre-employment hiring practices. "You may be responsible even if your employee is acting outside the scope of his job."

Joseph W. Ambash, another lawyer with the same firm, told seminar participants that in past years, companies were held responsible only for actions committed by employees in the course of their duties, such as when the driver of a company truck caused an accident. Now, however, the doctrines of negligent hiring, retention, and supervision broaden employer responsibility, he said.

Negligent hiring is most frequently cited in lawsuits stemming from employee misconduct. A company can be held responsible if it does not reasonably investigate a job applicant's background and then puts that person in a position where he or she could do harm—and the person does so.

Negligent retention occurs when a firm keeps on its payroll an unfit worker who eventually commits a crime associated with the job. Negligent supervision is a breach of an employer's responsibility to oversee any worker in a position to commit criminal acts.

Ambash says: "The nature of the job has a critical bearing on the employer's obligation. If the job gives employees access to homes or property . . . the hiring firm has an obligation to make a reasonable investigation into the person's background."

To avoid liability, Zakarian says, employers should evaluate the extent to which employees have access to people or property in the course of their duties, and companies should identify those jobs requiring special screening procedures. Background investigations, he says, should include exact dates of education and employment, plus special attention to gaps or to any unusual circumstances. He also suggests that employers keep written records of reference checks, training history, job performance, and supervision provided.



PHOTO: T. MICHAEL KEZA

If your workers make house calls, *don't be negligent in hiring or supervising them, or you could be held liable if they commit a crime on the job.*

BENEFITS

Anti-Discrimination Rules On Benefits Still Apply

The repeal of Section 89 does not mean the end of all rules on nondiscrimination in benefits. The Frank B. Hall Consulting Co., which advises employers on worker benefits, points out that regulations dealing with specific programs remain in effect.

For example, Hall notes that employees generally are not subject to income tax on the cost of employer-provided group term life insurance up to $50,000 of coverage. But the entire cost of any coverage provided under an employee plan that discriminates in favor of key employees is taxable.

In cafeteria benefit plans, Hall points out, a highly compensated employee will be taxed on any benefits if eligibility rules or benefits discriminate in favor of highly compensated employees. Cafeteria benefits to key employees are subject to taxation under any plan that provides more than 25 percent of total benefits to such employees.

A key employee is generally one who, at any time during the current or four preceding years, is a company officer earning at least $49,032 during the plan years, is a 5-percent owner, is a 1-percent owner earning $150,000 or more during the plan year, or is one of the company's 10 largest owners and earns at least $30,000 during the plan year.

Nondiscrimination rules for medical plans apply only to self-insured programs, Hall notes.

Section 89, repealed by Congress last year under heavy pressure from a small-business campaign mounted by the U.S. Chamber of Commerce, would have set up massively complex testing requirements under which companies would have had to prove they were not discriminating in benefits.



"There's only one truck I'd put my name on."

—Mario Andretti



When Mario Andretti thinks enough of a truck to put his name on it and use it in his business, you can bet it's a high performance vehicle. Andretti's choice is the IVECO EuroTurbo®.

"When you drive an IVECO truck, you feel like you're driving a solid European sports coupe. I am thoroughly impressed with the way my IVECOs handle. They're the best!" Comparisons show IVECO offers the tightest turning circle of any urban delivery truck, giving them outstanding maneuverability.

What's more, the 1990 IVECO models are powered by turbo-diesel engines designed to run with higher torque at lower RPMs. That means less wear and tear on internal engine components and better fuel efficiency. The new IVECO trucks also offer tiltcabs, air-over- hydraulic disc brakes*, and the strongest frame design in their class.

When a truck is important enough to your business to carry your name, get the truck with the best reputation on the road. The IVECO.

For the name of your nearest IVECO dealer, call 1-800-874-8773.

* most models

IVECO
DIESEL TRUCK

© 1989 IVECO Trucks of North America, Inc.

Circle No. 19 on Reader Service Card.

MINIMUM WAGE

Time To Prepare For The Rate Rise

A reminder: The federal minimum wage goes to $3.80 an hour on April 1. The 45-cent increase is the first of the two steps that will take the wage floor to $4.25 an hour by April 1, 1991, under legislation enacted late last year. The law authorizes payment of a training wage for 90 days to employees aged 16 through 19. The law sets the wage at 85 percent of the regular hourly payment but sets a minimum of $3.35, which is the level through March 31, 1991. On April 1, 1991, it will go to $3.61 an hour.

If an employee who works 90 days for one employer leaves for another job, the second employer may also pay a training wage to that individual for a maximum of 90 days if the second employer certifies to the Labor Department that the worker is still being trained.

In addition, the law increases to $500,000, from the present $345,000, the annual sales-level threshold at which the law takes effect. While companies with sales under $500,000 a year will be exempt from the minimum-wage requirements, a business specialist on the issue says the exemption is actually "theoretical." Robert Martin, an employee-benefits manager for the U.S. Chamber of Commerce, points out that businesses below the cutoff point will still be competing for a shrinking number of workers with companies forced by law to pay the minimum wage. Thus, smaller businesses will feel market pressures to match the pay scales of their larger competitors, Martin says.



PHOTO: T. MICHAEL RIZZA

Workers earning the minimum wage *receive a rate boost April 1, to $3.80 an hour; certain employees, however, can be paid a lower training wage.*

BORROWING

Small-Business Loans For Very Small Companies

The Small Business Administration is implementing a new program to encourage lenders to make loans of less than $50,000. SBA Administrator Susan B. Engeleiter has asked the American Bankers Association and the National Association of Guaranteed Lenders to urge their members to cooperate in the small-loan program.

SBA says it expects that the availability of these loans will be especially helpful to women business owners. Women make up a very strong presence among owners of service businesses that have lower capital requirements than other types of firms, SBA says.

GOVERNMENT CONTRACTS

OMB Tightens Pressure For Prompt Payment By Agencies

The Office of Management and Budget (OMB) has assessed an additional penalty of 100 percent against federal agencies delinquent in paying interest on overdue bills.

The move reflects the continuing effort by small businesses to require the government to pay its bills on time. More than 30 small-business associations formed the Coalition for Prompt Pay to achieve that goal.

Under legislation enacted last year, federal agencies that do not pay bills within 30 days must automatically add interest to the balance. The same law directed OMB to set a penalty for failure to pay the interest. OMB Director Richard Darman has now set this penalty at 100 percent.

The new directive gives agencies that fail to pay interest 10 days to correct the omission.

If no such correction is forthcoming within the deadline, a contractor has 40 days to notify the agency that the penalty amount for nonpayment of interest is due.

OMB set a maximum of $2,500 on the penalty payments for the first two years of the new rule and $5,000 thereafter.

The minimum penalty is $25. Without a minimum, contractors who were owed lesser amounts might forgo action rather than incur collection costs greater than the interest payment due.

"This is the news we have been waiting for," said Kenton Pattie, director of the Coalition for Prompt Pay, referring to the announcement of the 100-percent penalty. "This puts teeth into the law. It encourages agencies to pay, and to pay promptly."

(For a report on the overall subject of seeking business from the federal government, see Page 29.)

THIS MONTH'S NB TIPS

Full Congressional Contact

Two new publications can guide you effectively in dealing with the new Congress—no easy task in the '90s. *1990 Congressional Handbook* gives you every member's name, office phone number and address, committee assignments, and seniority. *1990 Congressional Issues*, the companion piece, provides background information on 100 business-related subjects that will probably come before the 101st Congress. The *Handbook* is $3.25 per copy, and *Issues* is $8 per copy, both from the U.S. Chamber of Commerce, Publications Fulfillment, 1615 H Street, N.W., Washington, D.C. 20062. Specify order No. 0202 for *Handbook*; No. 0204 for *Issues*. Phone orders: 1-800-638-6582 (Maryland residents, 1-800-352-1450).

Bid Schedule Available

A master 1990 schedule of solicitations for bids on federal projects is available from the Small Business Administration. SBA provides the information through its Small Business Innovation Program Pre-Solicitation Announcement, which is designed to give advance information on government purchasing plans to small firms interested in bidding.

Copies of the announcement are available from the U.S. Small Business Administration, Room 500, 1441 L Street, N.W., Washington, D.C., 20416; (202) 653-6458. NB

When you're looking for a place to stay, here's a sure sign you'll be happy.



Hampton Inn is a great place to spend some time. For business or pleasure. Because you just can't leave a Hampton Inn with anything but 100% satisfaction. In fact, we guarantee it. If you're not completely satisfied, you don't pay.

That's how sure we are you're going to like us. But there's a lot more to love about Hampton Inn than our unconditional guarantee. You'll enjoy a clean, comfortable room with your choice of smoking or non-smoking accommodations, free continental breakfast and free local phone calls. Plus, our rates are 20% to 40% less than at traditional hotels—and there's no charge for kids, or for a third or fourth guest staying with you.

So on your next trip, be sure to stay at one of *over 200 Hampton Inns nationwide.* After all, guaranteed happiness isn't easy to come by these days.





Over 200 locations nationwide.

Hampton Inn





You've got to love us.
You've got our guarantee.℠

For reservations call **1-800-HAMPTON** or your travel agent.

Circle No. 44 on Reader Service Card.

© 1990, Hampton Inns, Inc.

Dateline: Washington

What's happening in the corridors of power that will affect your business.

BUSINESS ISSUES

Business Responds To Policy Declarations By Top Officials

Both Republicans and Democrats got mixed reviews in the business response to their policy statements marking the start of a new congressional term.

The statements were President Bush's State of the Union message and the Democratic reply from Rep. Thomas Foley, speaker of the House of Representatives.

Richard L. Lesher, president of the U.S. Chamber of Commerce, said both leaders had been generally "upbeat and optimistic." Those attitudes were understandable, he said, in view of the "crumbling of communism and socialism" and the nation's reaching the 87th month of economic expansion.

Lesher added, however, that both the president and the speaker had been "much too timid in their reactions to the opportunities and lessons of 1989." Events have shown that "socialism doesn't work anywhere in the world" and should not be expected to work in the U.S., he said.

Urging aggressive preparation for the economic competition that will dominate world affairs as military threats ease, Lesher called for a dramatic downsizing of the U.S. government, savings and investment incentives that include a lower tax rate on capital gains, higher educational standards, higher productivity and quality in American goods and services, and less government regulation, particularly in the antitrust area.

BENEFITS

Health-Care Costs Defy Efforts At Containment

Employers' payments for employees' medical benefits continue to increase despite cost-containment efforts. That is the most significant finding in the latest edition of *Employee Benefits*, an annual publication of the U.S. Chamber of Commerce.

Employers' share of medically related costs rose 16 percent from 1987 to 1988. From 1979 to 1988, employers' costs increased by over 150 percent, while the Consumer Price Index, covering all goods and services, rose 62 percent. The rate of increase for health-care costs is so large because those expenditures are going up at a faster rate than payrolls, the report notes.

Cost-containment efforts by employers to curb escalation of medical benefits include wellness programs, expanded deductibles, and higher employee contributions to premiums.

The Chamber's survey also found:

- The average company's benefits represented 37 percent of payroll and $10,750 per employee.
- Per-employee benefits ranged from under $3,500 to over $13,000 among firms covered in the survey.
- The West has taken over from the East North Central region as the area of highest benefits.

In connection with the survey, which covers 1988, Richard W. Rahn, a vice president and the chief economist of the Chamber, noted the rising number of congressional proposals to mandate more employer-paid benefits. "The information provided in this report should help employers in determining the impact of such legislation on their firms and the cost of providing existing benefits to their employees," Rahn said.

Copies of *Employee Benefits, 1989 Edition*, are available at $25 each from Publications Fulfillment (RKVL), U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062. Order publication No. 0180. Call 1-800-638-6582; in Maryland, 1-800-352-1450.

Benefits As Percentage Of Payroll

By Size Of Company (1988)

Number Of Employees	
Under 100	34.2
100-499	37.0
500-999	35.4
1,000+	36.6
All Companies	37.0

TRADE

Europe's Unified Market Will Affect U.S. Firms

The economic integration of 12 European countries in 1992 could have major ramifications for U.S. companies that are not involved in trade in that region, an expert on global trade says.

Carol Brookins, president of World Perspectives Inc., a Washington-based consulting and publishing firm on trade issues, says all U.S. businesses, not just those planning or considering a direct role in European trade, should consider the impact of EC92 on their operations.

EC92 is being formed to make companies within its member nations more competitive and cost-effective in world trade, Brookins points out.

Consequently, American companies could find themselves up against more intense competition from European products in all world markets, including the U.S., and it would be a serious mistake for domestic firms to assume they will not be affected by EC92 in some way, Brookins says.

TRAVEL

Population Trends: Two-Way Street For Travel Industry

The U.S. travel industry sees current demographic trends as a good-news, bad-news situation for the 1990s.

Appraising its expectations for the new decade, the Travel Industry Association of America says the bright spots include the intensifying movement of baby boomers into their peak earning years. Suzanne D. Cook, who heads the association's research affiliate, says, "The early baby boomers [those born between 1946 and 1954] are likely to be the premier travel market in the 1990s." The association projects a 16-percent growth in travel volume by the year 2000 just through the arrival of the baby-boom vanguard at its mid-40s.

The demographic downside: The slowdown in population growth since the end of the baby-boom era in 1964 means it will be more difficult for people-intensive travel industries to recruit workers during the 1990s. Recruiting older workers and increased reliance on immigrants as a source of new workers are among the possible solutions the industry sees. NB





Pound For Pound, Yen For Yen, Lira For Lira, You Can't Beat Our International Discount.

Or for that matter, peso for peso, or mark for mark.

Because only AT&T combines big international savings with AT&T quality.

For as little as $5 per month, AT&T PRO℠ WATS lets you enjoy a 10% savings on direct-dialed calls to 47 countries* during both the standard and discount time periods.**

Your savings can rise to as high as 18% as your volume of calls increases.

And your calls will be connected with the speed and clarity AT&T is renowned for.

For more on AT&T PRO WATS and our other international discount plans, call 1 800 222-0400, ext. 1276.

Because dollar for dollar, you're just not going to find a better deal.

* Savings also apply to interstate direct dialed calls.

** Rate structures in Canada and Mexico vary.





© 1990 AT&T



AT&T
The right choice.

Making It

Growing businesses share their experiences in creating and marketing new products and services.



PHOTO: ©LEIF SKOOGFORS

Long-Distance Leap

Ira Davis *has led seven businesses to $18 million in annual revenues; now he faces the challenge of developing Philadelphia's riverfront.*

Strong legs and physical quickness carried Ira S. Davis to the Olympics three times. Since then, the former American record holder in the triple jump has relied on his hands and mental toughness to establish himself as one of the leading minority entrepreneurs in the Philadelphia area. It hasn't been easy, but now Davis, 53, sits on the threshold of perhaps his greatest triumph.

Through his Davis and Associates, a limited partnership, he holds a 10 percent interest in a joint venture that was chosen last June over eight competitors to develop the 37-acre Penn's Landing site on the Delaware River. Over the next 10 years, the joint venture will build an $800-million complex embracing office, retail, hotel, entertainment, and residential facilities near the city's historic heart.

Davis has rebounded from some early setbacks to start a total of seven separate businesses whose annual revenues, he says, total $18 million. "The actual world was a lot more difficult than I could ever have imagined," says Davis, who competed in the Olympics in 1956, 1960, and 1964. "I found that other people seemed to be moving faster than I was. My progress was very slow. Some things weren't happening, and a lot of times I doubted myself. I was tested a lot. And then all of a sudden I started to pass those people."

Davis earned an accounting degree at La Salle University while mastering a track event that few Americans had ever heard of. He held the American record for almost 10 years, and at one time was second in the world rankings in his athletic specialty. After graduating in 1958, though, he found it extremely difficult to get his business career off the ground.

His accounting business was unsuccessful. Then he tried real estate, followed by an unsuccessful effort to start a polyethylene-bag company. A beauty-products distributorship didn't work out, either.

While he worked as a project manager for the Philadelphia Redevelopment Authority from 1965 to 1971, Davis "made a couple of dollars" with a small insurance agency, a tax service, and a novelty store in Atlantic City.

The turning point came in 1973, when Davis bought his uncle's moving company, a two-truck "mom and pop" operation that had been in business for 45 years; its annual revenues had never

Drive An Elegant Bargain.

$49 a day. Cadillac Sedan de Ville. 100 miles/day included. 30¢/mile thereafter. Optional Collision Damage Waiver $12.95/day or less. Rate available at participating locations. Offer good through May 21, 1990.

ANOTHER GREAT OFFER FROM THE EMPLOYEE-OWNERS OF AVIS, INC.

The employee-owners of Avis want you to experience the elegance of a Cadillac Sedan de Ville or similar luxury-group car at a very special rate. With SuperValue Rates and fast service, "We're trying harder than ever" to give you what you want in a rental car.

The rate is available at participating U.S. corporate and licensee locations and is non-discountable (rate not available in Metro N.Y.). Cars and rate are subject to availability and must be returned to renting location. Blackout periods apply. There is no refueling charge if you return your tank full. Renter must meet Avis age, driver and credit requirements. There is an extra charge for additional drivers, local taxes, optional Collision Damage Waiver, Personal Accident Insurance, Personal Effects Protection and Additional Liability Insurance, where available.

To drive this elegant bargain, call Avis at **1-800-331-1212,** or your travel consultant.

AVIS®

We're trying harder than ever.℠

Circle No. 11 on Reader Service Card.



Avis features GM cars. Cadillac Sedan de Ville.

© 1990 Wizard Co., Inc.

exceeded $88,000. "I decided that for me to really understand the business, I had to roll up my sleeves and get myself out on the trucks," Davis recalls. "It was probably a good four years before I put a tie back on. I remember working 23 hours straight because we had two moves going in the same day and didn't have the right equipment. The next morning, my hands wouldn't function. I couldn't hold a glass of water."

With the help of a low-interest Pennsylvania Minority Business Development Authority loan, Davis built a larger warehouse, developed some commercial accounts, and expanded into the long-distance market. Within three years, he had raised annual revenues to $225,000 and today is closing in on $2 million.

In 1984, Davis became chief executive officer of a masonry construction company he incorporated with Frank Giovinazzo, a longtime Philadelphia contractor. Since its first job in 1985, a $1.1 million contract at Philadelphia's Society Hill Sheraton, the firm has done "in excess of $30 million worth of work," Davis says.

In 1985, Davis purchased another warehouse, in northeastern Philadelphia, set up a pair of companies to haul steel, paper, general commodities, and trash, and started a public warehousing company for the storage of large electrical equipment and the like. These three companies collectively generate close to $5 million annually.

Davis subsequently formed Tri-State, an environmental company specializing in the disposal of material from construction sites. Two years ago, he formed a general construction company with James X. Clemens, a Delaware Valley general contractor; their firm specializes in tailoring newly constructed buildings for particular tenants.

Davis' competitive track activity is now limited to a few races for older athletes, where he has teamed up to run with old friends like Bill Cosby (he has appeared twice on Cosby's TV show).

Davis estimates that 75 percent of his business activity has been shaped by his minority status, through affirmative action and minority set-asides.

"In order to get into the door a lot of times," he says, "you have to use what's available. I'm not saying that I couldn't have gotten some business otherwise, but the minority involvement was a definite help. Since we're a minority company and I do such good work, it's a natural for major companies to tie in with me. It gives them the expertise and quality of work they need, but it also gives them the needed paper to legalize their project."

—Robert S. Lyons Jr.

Petite Fashions

If you were as tiny as Dolly Parton, Dr. Ruth Westheimer, or Pia Zadora, where would you shop for clothes? One place they've all shopped is Petite Pleasures, a boutique on Manhattan's Upper East Side billed as "for the petite woman who loves high fashion."

An estimated 47 million American women are "petites"—5-foot-4 or under and weighing 125 pounds or less. Yet only in recent years have retailers begun to target the petite woman with clothing smart enough for business and social events.

Helping to lead that change are Robert and Elizabeth Volin, a husband-and-wife team. They started Petite Pleasures 10 years ago after they saw an article indicating that the few designers then in petites were moving away from designing for very young women—the "junior petite" set—and creating clothes for more sophisticated women.

It was good news for Beth, who at 5-foot-1 and 93 pounds had difficulty finding quality clothes that would fit properly, even after extensive alterations.

The Volins decided to combine their backgrounds—he has an MBA in finance, and she has a bachelor's degree in fashion merchandising—and launch a clothing store for women like Beth. Using $3,000 in personal savings—"everything we had in the world at the time," says Robert—they opened a 280-square-foot store in Glen Cove, Long Island, in a large house they shared with 10 other boutiques. Robert stocked it with 100 dresses; the most expensive retailed for $39. The location was so poor that the Volins' accountant predicted they would be out of business in six months. But the first year, sales were $40,000, and the second year, they grew to $100,000. "We thought we could do no wrong," says Robert.

And maybe they couldn't. They moved to their present location on Madison Avenue at 87th St. in 1982—still a tiny 480 square feet—and have made gains nearly every year, finishing 1989 at almost $420,000 in sales.



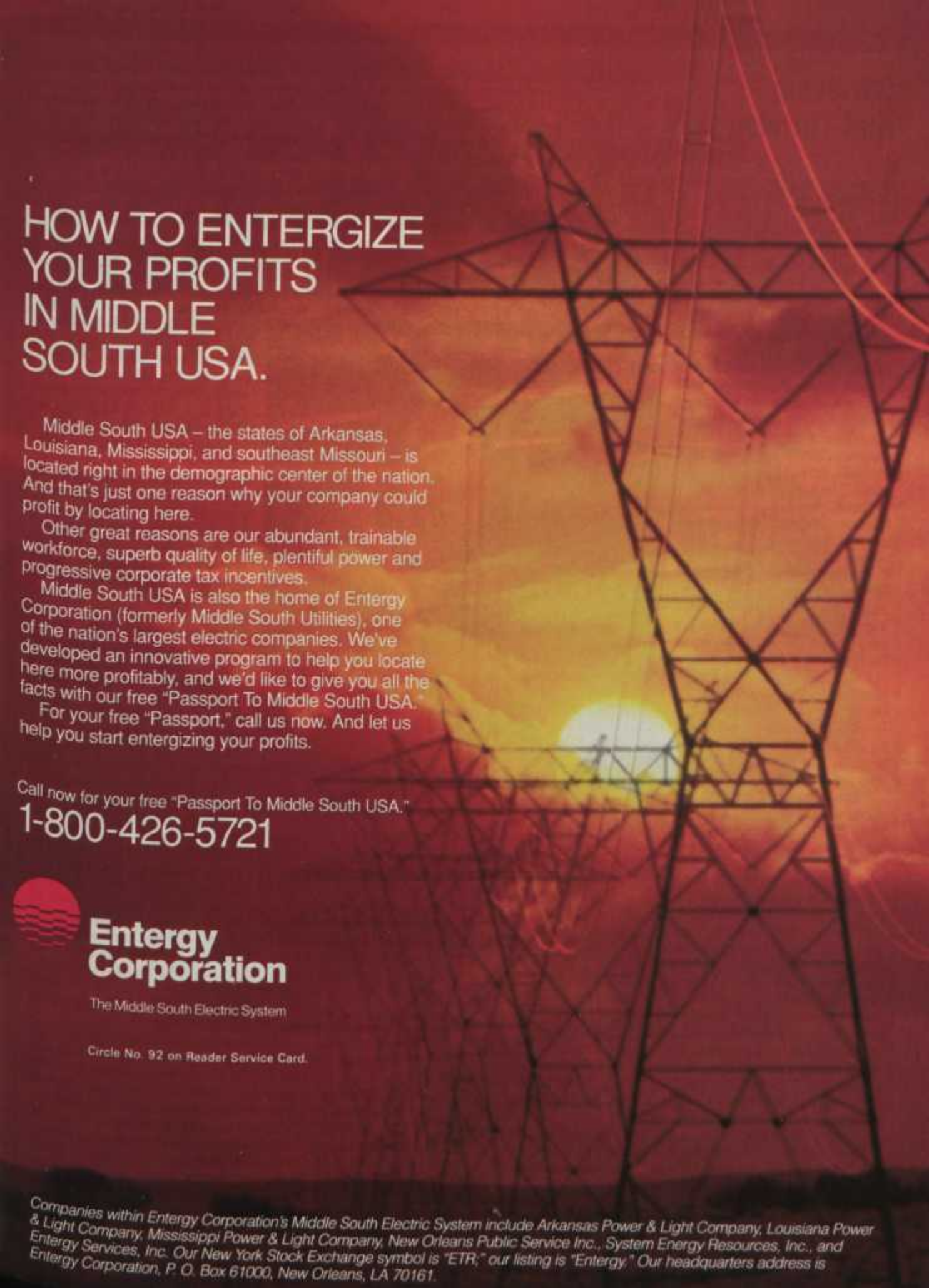
PHOTO: © ARNOLD ADLER

Fashion can be found *in small sizes at Elizabeth and Robert Volin's store.*

What's made them grow, they say, is their dedication to buying better and better merchandise, concentrating on clothes that can't be bought in major department stores, and developing a more sophisticated clientele. Their average dress eight years ago retailed for $80 to $100; now the average is $350 to $400. Eight years ago, their typical client had an income of about $20,000 and was between 21 and 35 years old. Now she's at least 30 and makes $50,000 to $60,000.

Beth, 34, is vice president and oversees merchandising, customer relations, and store operations. Robert, 36, as president, looks after finances and does the buying. They want to continue honing the factors that have made them successful. The right product mix is important, they say, but customer service and honesty are even more crucial. If a garment doesn't fit a customer nearly perfectly, for example, they won't sell it to her.

—Sharon Nelton



HOW TO ENTERGIZE YOUR PROFITS IN MIDDLE SOUTH USA.

Middle South USA – the states of Arkansas, Louisiana, Mississippi, and southeast Missouri – is located right in the demographic center of the nation. And that's just one reason why your company could profit by locating here.

Other great reasons are our abundant, trainable workforce, superb quality of life, plentiful power and progressive corporate tax incentives.

Middle South USA is also the home of Entergy Corporation (formerly Middle South Utilities), one of the nation's largest electric companies. We've developed an innovative program to help you locate here more profitably, and we'd like to give you all the facts with our free "Passport To Middle South USA."

For your free "Passport," call us now. And let us help you start entergizing your profits.

Call now for your free "Passport To Middle South USA."

1-800-426-5721

Entergy Corporation

The Middle South Electric System

Circle No. 92 on Reader Service Card.

Companies within Entergy Corporation's Middle South Electric System include Arkansas Power & Light Company, Louisiana Power & Light Company, Mississippi Power & Light Company, New Orleans Public Service Inc., System Energy Resources, Inc., and Entergy Services, Inc. Our New York Stock Exchange symbol is "ETR;" our listing is "Entergy." Our headquarters address is Entergy Corporation, P. O. Box 61000, New Orleans, LA 70161.

Surviving– And Thriving

In the late 1970s, Tuan Huynh had one overriding concern—living until the next day.

Today, he focuses on a very different objective: building his Dallas apparel-manufacturing company's sales to $100 million.

Along the way, he overcame obstacles the likes of which most Americans have never faced.

Huynh was a captain in the South Vietnamese army when the U.S. pulled out in 1975. The victorious North Vietnamese told Huynh and other officers they could return to their homes after they surrendered their weapons, but "they put us in a 're-indoctrination' camp instead," he says.

Three years at hard labor followed. Although Huynh was not systematically starved, he remembers constant hunger on the scanty camp diet of bread and vegetables. Huynh's wife, Anh, and their seven children weren't even told he was alive until he had been in the camp for two years.

Anh and the children began farming—a new experience for the city-dwelling family—while Huynh was incarcerated, and he joined them upon his release in 1978. The family's new life was not a happy one.

"The Communists are always watching," Huynh says. "You cannot even buy food you like to eat. If you buy chicken or fish, they will notice and wonder where you got the money. But the biggest thing is that we don't have freedom. You don't know whether you will stay alive tomorrow because they can come take you away any time."

Huynh planned the family's escape for a year. A middleman counterfeited papers and bribed the harbor patrol to look the other way one dark night when the Huynhs jammed into a boat with 254 other refugees.

Their food and water ran out two days before the boat reached an Indonesian refugee camp.

The Huynhs, whose children then ranged in age from 7 to 18, spent six months in the crowded camp before a sponsor in Dallas brought them to the U.S. in 1980.

Huynh found work as an auto mechanic, and his wife sewed at home for Dallas apparel manufacturers. After Huynh's workday ended, he delivered Anh's clothing—and made business contacts.

After five years, the family had saved over $50,000, and Huynh was ready to launch his own company, dubbed H&A Fashions after the family name and his wife's name. He hired a general manager, a designer, a salesperson, and a secretary, and he set up shop in a 3,000-square-foot warehouse.

Just five years later, H&A employs 120 people and recently completed its third move, into a 129,000-square-foot building. Huynh, 54, projects profits of nearly $1 million this year on $35 million in sales of six different lines of skirts, dresses, and jumpers.



PHOTO: ©MARK PERLSTEIN

Tuan Huynh *prefers hard work in Dallas to a hard life in Vietnam.*

H&A sells to 3,000 customers, including Sears Roebuck, Wal-Mart Stores, and nationally known department stores—and it is the largest single supplier of women's dresses to J.C. Penney Co.

Says Penney Chairman W.R. Howell: "Their story is so encouraging to people who think opportunity has passed them by, when it's ready and waiting for people who have a good idea and work hard, like the Huynhs."

H&A's first product line was the American Shirtdress, a moderately priced belted dress that buttons to the waist and features a man's-style collar. Sales came hard the first few months, but then Huynh showed the line to Penney buyer Nancy Hillis, who says she saw an excellent customer value in a dress that would appeal to Penney's middle-America shoppers.

With Penney on its roster, H&A's business boomed. First-year profits were about $40,000, on sales of $500,000. Says H&A General Manager Joe Allen: "There's no law that says you have to lose money. A lot of people have a business plan saying they will lose so much in their first year or two. Our plan said we'd make money."

Allen says Huynh's strong points are his willingness to work exceptionally hard, a broad pragmatic streak—and patience. "That mind-set helps him succeed in this country," Allen continues. "We in this country have short-term business plans. He plans ahead."

Huynh says the secret of the company's success is simple hard work. But Allen notes that what Huynh calls hard work would be an unacceptable grind to most Americans. The two men worked 12 hours a day, seven days a week, to get the company going, Allen recalls, and still work 60 hours or more a week now. "The Huynhs saw an opportunity to make some money; all they had to do was work hard. This was heaven for them. That extra time working put us way ahead of the competition."

Management flexibility also separates H&A from some of its competitors, Hillis believes. Its production lines are set up for quicker turnaround than many companies can manage, she says, and H&A maintains an unusually large inventory, so it can fill sudden store needs almost overnight.

Huynh's plans call for building H&A to $100 million in sales within the next five years, through both internal growth and acquisitions; H&A has already bought one small manufacturer.

Huynh sounds like a man who will be content even if his company does not achieve his lofty goal.

"I am happy here because I have freedom," Huynh says. "I work hard so I have money. I can sleep all night here. Why should I worry about anything?"

—Sally Bell

XEROX

Like other copier companies, we give you a warranty we can be comfortable with.



It's one thing to talk about quality. And quite another to back it up.

So if you're in the market for a reliable, durable desktop copier that's built to stay that way, we have a suggestion: compare the warranty of the other guy's desktop copier to that of a Xerox copier.

You'll notice that the Xerox 5012, 5014, 5018 and 5028 desktop copiers offer three years. While other manufacturers (Canon, Sharp and Ricoh, not to mention everyone else in the business) offer three months or less.

Does this mean we're more confident about the quality of our copiers than the other guy? Could be.

It could also be one of the best reasons yet to buy a copier that's built and serviced by Team Xerox—a copier you can be comfortable with for years to come.

Guaranteed.

For more information about Xerox desktop copiers, call 1-806-TEAM-XRX, Ext. 1014, or fill in the coupon.

Team Xerox. We document the world.

Circle No. 55 on Reader Service Card.

I'd like to learn more about Xerox desktop copiers and their unique three-year warranty.
☐ Please send me more information.
☐ Please have a sales representative contact me.
Send this coupon to:
Xerox Corporation, P.O. Box 24, Rochester, NY 14692

NAME _____ Please Print _____ TITLE _____

COMPANY _____ PHONE _____

ADDRESS _____

CITY _____ 0007-3-90 STATE _____ ZIP _____

If you can't wait, call 1-800-TEAM-XRX, Ext. 1014 (1-800-832-6979, Ext. 1014).

3 year warranty requires purchase of replaceable copy cartridges from Xerox. "XEROX" and 5012, 5014, 5018, 5028 are trademarks of XEROX CORPORATION.

1989 Winner National Quality Award

COVER STORY

Fighting The High Cost Of Workers' Comp

By Roger Thompson



William Solburg is desperate. In good times, what he does best is build "hand-crafted" homes for the well-to-do who seek the seclusion and natural beauty of Florida's Panhandle. Lately, Solburg has begun to wonder whether he should change professions.

A dark cloud in the form of runaway costs for workers' compensation insurance has settled over Solburg's livelihood. Last year, he paid $22,000 for workers' compensation insurance—a sum that equaled about one-fourth of the total payroll for his small band of loyal employees. The premium was four times what he paid when he started his business in the mid-1970s, even though his business is nearly accident-free. This year he expects to pay over $30,000 as a result of a 37-percent rate hike approved by the state effective Jan. 1.

"For years, I have written a check and thought eventually it [workers' compensation costs] would level off and stabilize," says Solburg, whose business is based in Sopchoppy, 35 miles southwest of Tallahassee. "Now it's getting to the point of survival with me. When it reaches 30 percent of payroll, it's a crisis."

Florida is not the only state where small-business owners are feeling the impact of galloping workers' compensation costs—and fighting back. (See the box starting on Page 23.)

The amount that employers spend on workers' compensation insurance, which pays cash and medical benefits to workers for job-related injury or disease, has nearly doubled over the past decade. Employers, including federal and state governments, spent an estimated $45 billion on these state-mandated programs last year.

Nationwide, costs as a proportion of payroll subject to workers' compensation rose to a record 1.98 percent in 1986, the most recent figure. Some experts foresee workers' compensation premiums absorbing 3 to 5 percent of payroll in the next five years.

But national averages mask the problem faced by thousands of companies involved in potentially hazardous lines of work, such as construction, trucking, manufacturing, and outside service jobs. Rates for these companies already run in excess of 10 percent of payroll. Many, like Solburg's, pay much more.

Meanwhile, benefits paid by insurers to injured workers tripled in the 1980s because of increases in medical costs, cash benefits, and numbers of injuries and illnesses. In 1989, benefits exceeded $33 billion, according to estimates by the National Council on Compensation Insurance (NCCI), which represents workers' compensation insurers in rate making in most states.

To keep pace with sharply escalating benefit outlays, NCCI proposed rate increases in excess of 20 percent for 14 states in 1989. Sixteen states actually approved increases of over 10 percent.

"There is a crisis in workers' compensation costs, and we're seeing a tremendous upsurge in reform legislation," says Robin Obetz, a Columbus, Ohio, attorney who specializes in workers' compensation law. Obetz, who is chairman of the Council on Workers' Compensation of the U.S. Chamber of Commerce, says, "The push for change is basically coming from employers."

Typical reforms aim to reduce the exploding amount of litigation involved in what is supposed to be a no-fault system. Others include streamlining administrative functions, establishing medical-fee schedules, reducing overuse of benefits, and establishing payment guidelines for certain new types of stress and disease claims.

In a radical departure from current thinking, a California Senate committee has issued a report concluding that no amount of tinkering will cure what ails the workers' compensation system. It advocates a new system that would merge workers' compensation with employer-paid health insurance and other types of disability insurance. (See the box on Page 22.)

Until recently, higher workers' compensation costs were driven primarily by ever-increasing cash benefits for injured workers, says John F. Burton Jr., a Cornell University professor of labor economics and author of a bimonthly workers' compensation newsletter. "In the last few years, however, there has been a slowdown in cash-benefit growth, and medical expenses have become the driving force behind cost increases," says Burton.

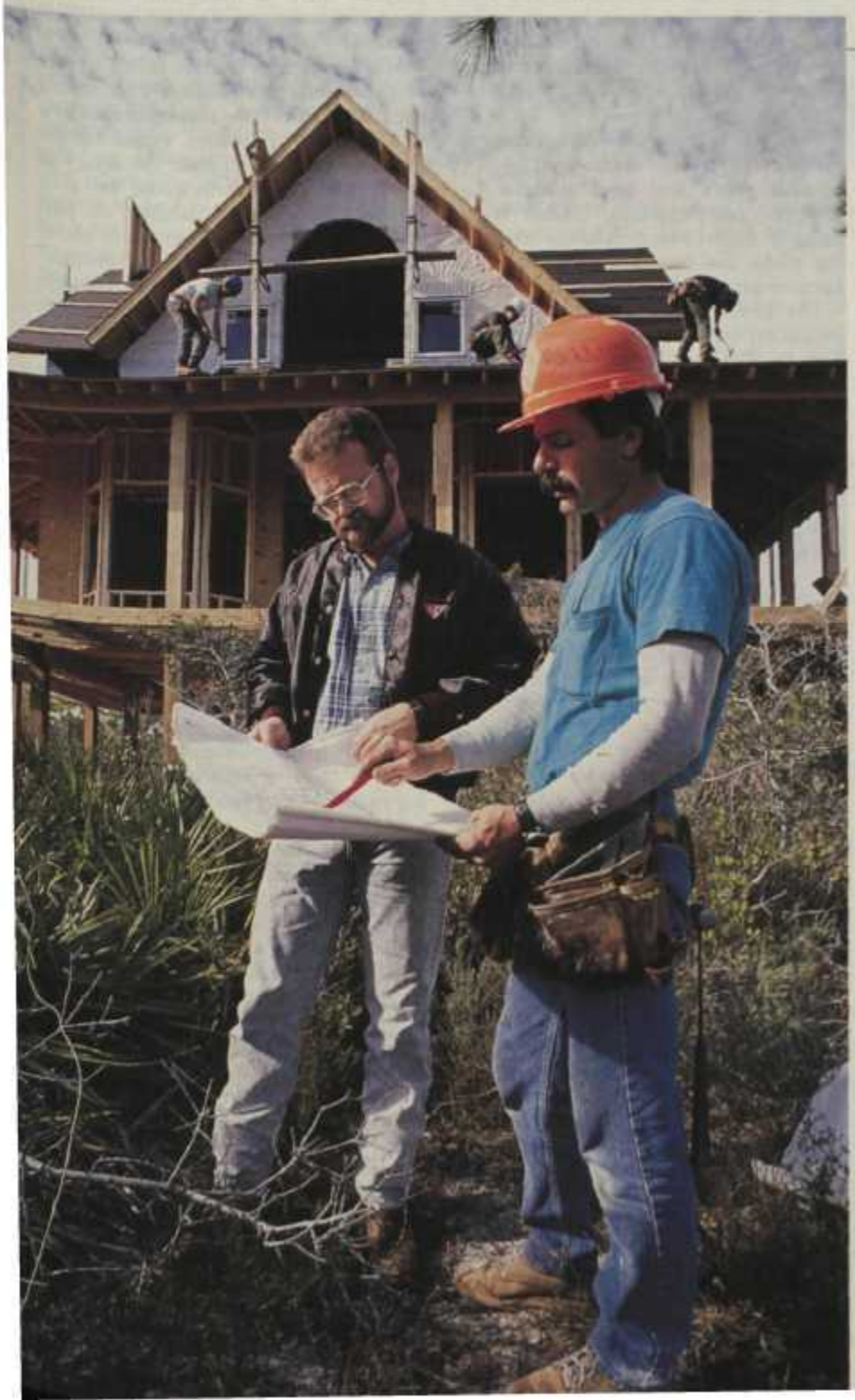
Medical costs now account for almost 40 percent of workers' compensation benefit costs nationwide, up from 33 percent in 1980. From 1980 to 1988, the average medical cost for a worker who lost time on the job more than doubled, from $1,590 to $3,300, while the average cost for lost wages rose by only 31 percent, to $5,794, according to NCCI. (See the chart above.)

The average total cost of claims involving lost time at work will reach nearly $10,000 this year, compared with $6,000 in 1980, NCCI estimates.

Costs also are accelerating because

Small-business owners, stung by rapidly rising costs for workers' compensation insurance, are demanding reform.





injuries and illnesses are on the rise. The Labor Department reports that 4 percent of all full-time workers suffered from some form of injury or illness on the job in 1988. That is the highest level since 1980. Moreover, workers in 1988 spent more time out of work or doing limited work because of injury or illness than in any year since 1972, the first year the Bureau of Labor Statistics started gathering the data in its current form.

"States are paying more and paying longer for workers' compensation claims, and they are including more things for coverage," says Robert J. Will, president of Rate Consultants Inc., a Minneapolis workers' compensation consulting firm. Although there are plenty of targets for the reform-minded, don't wait for lawmakers to rescue you from rising costs, Will advises. Self-help can be the quickest and surest way to savings. (See "How To Control Workers' Comp," on Page 26.)

For their part, insurance companies say that they need hefty rate increases to keep up with rising costs. Despite substantial rate increases over the past four years, NCCI estimates that insurers nationwide in 1989 paid out $1.17 in workers' compensation benefits for every $1 in premiums, producing an operating loss of more than $1 billion.

In some states, losses are far higher than the national average because insurance premiums have not kept pace with rapidly rising claims costs. In 1988, Louisiana insurers paid out an estimated $1.60 for every $1 in premiums. Insurers paid out $1.50 per $1 in premiums in Florida and Rhode Island, $1.45 in Maine, and $1.25 in Texas.

Because they can't make a profit, many insurers are getting out of workers' compensation. This has thrown a

Rising costs *for workers' comp could reach "the point of survival" for his firm, says builder William Solburg, left, checking progress on one of his "hand-crafted" homes.*

PHOTO: T. MICHAEL KEZA

record number of businesses into high-cost assigned-risk pools. An assigned-risk pool is established by a state and serves as the market of last resort for risk-prone companies unable to secure workers' compensation insurance in the voluntary market. Insurance for such risks is provided by private companies but at rates higher than those for ordinary risks.

Roughly 20 percent of all premium dollars flowing into workers' compensation in 1988 went to high-risk pools, up from 5.5 percent in 1984, the low point in the 1980s. In Maine, where the voluntary insurance market practically collapsed in 1987, the assigned-risk pool collected 70 percent of all premium dollars in 1988.

Small employers, especially those in hazardous classifications, are most affected by this trend because they are the least attractive insurance risks. Many of these employers are forced into risk pools simply because they are small—not because they are bad risks.

"Nobody wants to work with a business with premiums of less than $25,000 a year," says Norman Peterson, president of Norman Peterson and Associates, an Ashland, Ore., workers' compensation consulting company. "Insurance companies call them nonserviceable accounts. What they are saying is that for your small amount of premium, they can't afford to talk to you."

Insurers characterize themselves as victims of a highly regulated system that is out of their control. Legislatures set the levels of benefits that are paid to injured workers, and, in most states, insurance commissioners regulate the rates that insurers may charge to pay those benefits. Several states have deregulated the workers' compensation industry and allow carriers to set their own rates.

As costs rise, the benefits and rate-making processes have become more politically charged. Employers in many states are demanding greater scrutiny of insurance prices and their underlying costs.

Says NCCI in its *1989 Issues Report*: "If current trends continue, the next several years will be traumatic for workers' compensation. Unless something is done to moderate the underlying costs, the pressure to increase insurance prices will continue unabated."

The problems facing workers' compensation are deeply rooted in its long history. The first laws to withstand legal challenge were enacted in 1911, predating all other social or employer-paid programs to assist injured or sick workers, such as Social Security, health insurance, and disability insurance.

As the nation made a rapid transition from an agricultural to an industrial economy, workers' compensation arose as a compromise between labor and management to handle the problem of liability for workplace injury.

Before workers' compensation, injured employees typically were not able to receive any benefits because the courts held that they had voluntarily assumed the risk of hazardous work. Nonetheless, a growing number of employees hurt in industrial accidents sued for damages, forcing employers into costly legal battles.

Workers' compensation called a truce to these bitter skirmishes by creating the nation's first no-fault insurance system. Under it, workers would receive guaranteed compensation for injury at work, and employers would be sheltered from unlimited liability. As part of the deal, employers agreed to shoulder the total cost of workers' compensation premiums. Once this bargain was struck, workers' compensation plans spread rapidly. All but eight states had systems in place by 1920.

Over the years, however, workers' compensation deteriorated as maximum weekly benefits fell far below rising wage levels. By the late 1960s, many state programs paid lower benefits in inflation-adjusted dollars than in 1940, according to Cornell's Burton.

Deepening concern over the health of the system prompted Congress in 1970 to create a National Commission on State Workmen's Compensation Laws. Its 1972 report concluded that state laws were "in general inadequate and inequitable." The commission made 84 recommendations for improvements, 19 of which it designated as "essential." Most of those were aimed at broadening coverage and raising benefits.

In an effort to persuade states to take action, the commission urged Congress to impose national standards if the states did not act on its key recommendations by the mid-1970s.

Congress never intervened, largely because most states heeded the commission's advice to boost benefit levels. One key recommendation by the panel called for workers with short-term disabling injuries—the most common type of payment—to receive at least 100 percent of the state's average weekly wage. Most states now exceed that recommendation, although 14, including Texas, New York, and California, still have maximums that are 75 percent or less of the average weekly wage. (See the box on Page 25.)

Ironically, an important goal of the national commission, the desire to reduce interstate differences in benefit

California's Radical Proposal

A California Senate committee recently released a report advocating a state-mandated system of insurance for injury and illness that would pay benefits to employees regardless of whether the condition occurred on the job.

The report's goal is to improve care for injured and sick workers by eliminating overlapping programs and streamlining administration. It states:

"Entirely too much is being expended in time and money on destructive contests which attempt to tie disability to work and to determine the extent of a disability related to occupation.

"Since lifestyles, pre-existing disease, and related disabilities are burdening the workers' compensation system, the remedy is to create a truly no-fault insurance system for all disabilities which occur in the labor force and which temporarily or permanently impair the ability to stay on the job."

Unlike workers' comp, which is entirely employer-paid, financing for medical care and permanent disability would be divided between employers and employees. Financial responsibility for temporary disability and rehabilitation would fall on the state and employers.

The report was released last fall by the Senate Committee on Industrial Relations. Its chairman, Democratic Sen. Bill Green of Los Angeles, plans to appoint an advisory committee to evaluate its recommendations.

Eric J. Oxfeld, counsel for the American Insurance Association in Washington, D.C., says insurers "recognize the need for closer examination" of issues raised by the report but warns of "complications." A major one is centered on the foundation of the workers' compensation system—the legal tradeoff that shields employers from negligence lawsuits because they pay the total costs of the no-fault workers' comp system. The California proposal would have employees help finance medical and permanent-disability benefits. "If workers participate in paying," Oxfeld asks, "will they still be willing to give up the right to sue?"

Copies of the 44-page report are available for $5.95 apiece. Make a check payble to the State of California and send it to the Joint Publications Office, State Capitol, Box 942849, Sacramento, Calif. 94249.

levels, "has only been aggravated as states proceed at different rates of reform," Burton says. In California, where workers' comp costs are among the highest, employers pay on average over $12 a week per employee in workers' compensation premiums, while in Indiana, the state with the lowest such costs, employers pay less than $3.

Such cost differentials continue to figure prominently in the minds of lawmakers and business owners. Legislators typically maintain that states are competing for employers. Accordingly, it is important to maintain an attractive business climate that holds down the cost of creating jobs. This means keeping a tight rein on workers' comp costs for fear that employers will flee to lower-cost states or bypass the state in the first place. That's the message Ernest J. Schmidt delivered to the Texas Legislature last year when he testified on behalf of proposed cost-cutting reforms in that state's system.

Schmidt's company, Glastron Inc., in New Braunfels, Texas, manufactures recreational fiberglass power boats and employs about 140 workers. Because the company also operates an almost identical plant in North Carolina, he could clearly demonstrate the cost gap between the two states' programs. Surprisingly, 93 percent of the company's costs for workers' compensation over the previous two years were incurred by the Texas facility, even though the North Carolina plant tallied more workers' compensation claims. Workers' comp added $196.08 to the price of each boat built in Texas and only $12.86 in North Carolina.

"The difference," says Schmidt, "is that the North Carolina workers' compensation law is designed to rehabilitate workers and get them back into the workplace, whereas the Texas law encourages workers to stay home longer and not go back to work."

Experts generally agree that cost differences among states are driven less by benefit levels than by administrative systems that ultimately prevent quick settlement of claims. "I've always said that administration is nine-tenths of workers' compensation law," says Columbus lawyer Obetz. "Most of the claimants who hire a lawyer don't do so because of the legal issues involved, but because they need to expedite the system to get bills paid. The backlog of contested workers' compensation bills in Ohio exceeds $100 million."

While some states encourage litiga-



PHOTO: BOB DAEMMRICH

Ernest Schmidt's *firm pays about 15 times more for workers' comp in Texas than in North Carolina.*

Workers' Comp Trouble Spots

Maine

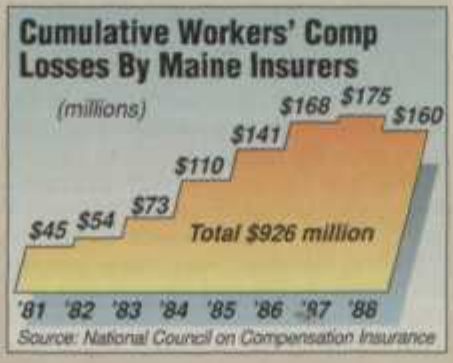
Workers' compensation reforms enacted by the Maine Legislature during an emergency 1987 session helped insurers begin to recover from a string of disastrous losses but made life even tougher for employers. Since then, average rates have soared 60 percent; a proposed 26-percent hike is pending.

"There are hundreds of businessmen in Maine who are fed up with the current system," says Steven Hoxsie, controller for Thomas Moser Cabinet Makers Inc., in Auburn. The firm recently was forced to change insurance carriers to avoid a 50-percent increase—a $50,000 hike—in its premiums. That experience has prompted Hoxsie to devote about half of his work time lately to organizing an employers' revolt to bring about cost-cutting reforms. "It will be a long and painful battle, but we'll see it through to the end," he says.

Despite zooming rates, over 80 percent of Maine's employers must obtain their workers' comp insurance through the assigned-risk pool. The risk plan ballooned in 1987 as insurers abruptly fled the increasingly unprofitable workers' comp market. Up to that time, they had lost $750 million on the Maine system.

Maine's problems lay partially in legislation passed in the 1970s that granted lifetime escalating benefits for permanent partial disabilities. That provision was eliminated during the Legislature's 1987 emergency session.

But the most important reform that year, says Hoxsie, permitted the insurance companies to raise rates to make a profit. "That sure helped the insurance companies, but it killed employers." He maintains that the system's biggest problem now is the use of the system by workers' comp commissioners to provide health care for the uninsured and cash benefits for the unemployed.



Texas

It took two special sessions of the Legislature, but Texas lawmakers last December finally enacted a major workers' compensation reform package, handing the state's trial lawyers a stunning political defeat.

The lawyers' stake in what was supposed to be a no-fault system had grown enormously in recent years, as more than half of all cases involved legal disputes.

Business groups across Texas rallied behind Gov. Bill Clements' vow to call the Legislature into special session as many times as necessary to enact a cost-saving package of reforms.

"All Texas employers wanted was to make the system fair by giving the money to the injured worker, not [to] lawyers and doctors and hospitals," says Ernest J. Schmidt, president of Glastron Inc., a power-boat manufacturer in New Braunfels, Texas.

Workers' compensation costs in Texas have surged 123 percent since 1985 and now are among the highest in the nation, yet injured workers receive benefits lower than those in 46 states. Even with soaring rates, Texas insurers still lost $580 million in 1988.

The reform package is expected to reduce cost increases primarily by reducing litigation and doctor-shopping

tion by the nature of their workers' compensation process, others offer options that are designed to minimize legal friction. For example, Wisconsin's workers' compensation system is widely known for its low levels of litigation.

A study by the Workers Compensation Research Institute, a nonprofit, nonpartisan research organization based in Cambridge, Mass., concluded that four administrative features of the Wisconsin system explain its smooth operation:

- The system requires minimum payments to injured workers. These voluntary payments often resolve claims.
- The state takes an active role in tracking claims and encouraging voluntary payment of benefits. It computes the amounts due to injured workers and expects insurance companies to pay accordingly or show why they won't pay.
- The state relies heavily on the judgment of the physician who treats the worker, and it uses the physician's rating of disability as the basis for computing benefits.
- When a case is disputed, state law requires that the administrative hearing officer select a benefit level proposed by one of the two parties in the case, rather than split the difference between the two levels. The effect limits the range of disagreement and holds down costs.



PHOTO: ©RICK FRIEDMAN—BLACK STAR

Steven Hoxsie *is organizing employers to push for major reforms of Maine's workers' comp law.*

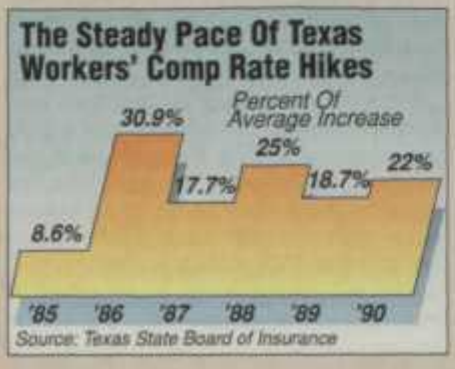
Under the Wisconsin system, the study found, lawyers were hired to help in one-third of the claims involving permanent partial disability—the most frequently litigated type of claim. But only 6 percent of those claims with lawyers in the picture resulted in disputes requiring adjudication. By contrast, in Maryland and New Jersey, two states without any of Wisconsin's administrative features, nearly all claimants hired lawyers, and some type of adversarial action subsequently was taken in most of the cases—63 percent in Maryland and 79 percent in New Jersey.

While litigation may be reduced by administrative design changes, factors underlying the rapid rise of worker's compensation medical-care expenses are more intractable. Under workers' compensation laws, medical care is an entitlement, and employers must pay the entire cost. This puts various medical-cost-containment strategies, such as employee copayments and deductibles, off limits. Moreover, because workers' compensation reimburses hospitals and physicians for the

by injured workers. The new law, most of which takes effect Jan. 1, 1991, creates an administrative appeal system that will replace the current practice of taking disputes directly to court. Workers will be permitted to switch doctors only with the approval of the insurer or of the newly created, six-member Texas Workers' Compensation Commission.

The law also raises the weekly disability-benefit payments to injured workers, specifies benefit payments based on a rating schedule rather than relying on inflated loss-of-earnings calculations, and sets up incentives for improved workplace safety.

Declared Gov. Clements: "No longer will jobs and new investment go to other states because of our workers' compensation laws."



Florida

Florida employers are in an uproar over the average 36.7-percent increase in workers' compensation rates, which took effect Jan. 1. It followed a 25.8-percent average increase just a year earlier.

The rate-hike news is even worse for Florida's 90,000 employers—mostly small companies—who buy their insurance through the state's assigned-risk pool. They were hit with a rate hike averaging 63.3 percent.

Says Todd W. Thomas, president of the Lakeland-based Florida Employers Safety Association: "This is simply too big an increase too fast." Some small companies say they will be forced to "go off the books" by underreporting wages on which workers' comp premiums are calculated, Thomas adds.

Florida insurers actually sought an average 58.4-percent rate hike to help offset their mounting losses. In 1988, they paid out $1.50 in benefits for every $1 in premiums, one of the worst loss records in the nation that year.

The rate-hike controversy prompted Gov. Bob Martinez to appoint a 32-member Workers' Compensation Oversight Board to develop cost-cutting proposals. The crisis atmosphere generated by the latest rate increase may force the Legislature to take action this year, rather than 1991, when the current workers' comp law expires under the state's sunset provisions.

Prime targets for reform include the state's generous wage-loss system for calculating benefits for injured workers, excessive litigation, and rising health-care costs.

While most states pay permanently disabled workers on the basis of an awards schedule or a subjective estimate of lost earnings capacity, Florida's wage-loss system calculates payments by comparing wages before the injury to actual wages earned afterward. Critics allege that the system allows some workers to collect even when their injury is not the reason for their inability to find a job. In such cases, the critics say, the system functions like



full cost of treatment, they have little incentive to keep costs under control.

For insurers, about the only readily available cost-containment strategies involve case management, bill audits, and utilization review. While these techniques have been used successfully by health-care insurers, workers' compensation is sold by property/casualty insurers who traditionally have been more adept at risk management than medical-cost containment.

After a slow start, however, "the vast majority of [workers' compensation] insurance companies are currently employing these cost-containment techniques," says David Appel, an economist with Milliman & Robertson Inc., a New York actuarial consulting firm.

Other cost-cutting strategies are not available to insurers in some states. For example, only 20 states have adopted fee schedules for medical reimbursements. "Fee schedules in combination with utilization review and case management can produce significant cost savings," says Appel.

Approximately half the states do not give employers authority to choose the physician who will treat an injured worker. Without this option, employers find it difficult to negotiate cost-cutting group medical rates with doctors who form Preferred Provider Organizations (PPOs) or Health Maintenance Organizations (HMOs).

The search for effective ways to contain medical costs grows more urgent as workers' compensation struggles to absorb relatively new types of claims involving work-related diseases, repetitive-motion injuries, and stress-induced mental disorders. Not surprisingly, these areas are frequently targets of legislative-reform efforts.

Occupational diseases, such as job-related lung disorders, now account for about 1 percent of all workers' compensation claims. The Labor Department recorded 241,000 claims in 1988, up 25 percent from 1987. The department attributed the sharp rise in part to better record keeping.

The insurance industry expects the number of occupational-disease claims to rise significantly during the 1990s, as medical research more clearly links illnesses with workplace exposure to harmful substances. Disease cases also are fraught with legal conflict over the issue of causality. Some diseases don't show up for years after exposure. Others are aggravated by lifestyle choices, such as smoking or lack of exercise. In cases where it is difficult to assign re-

Continued on Page 28

unemployment insurance that can continue for up to 10 years.

Louisiana

After years of struggling to control runaway costs, Louisiana lawmakers last year enacted a "tough, tough bill" designed to rid the workers' compensation system of numerous abuses, says Rep. Garey Forster, president of a small direct-mail and printing business in New Orleans.

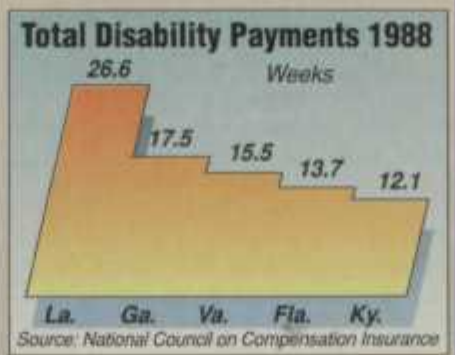
"People were playing the system for everything they could get out of it," says Forster. In the past, for example, state courts had ruled that any heart attack on the job was compensable. Workers won benefits for injuries resulting from horseplay and even Russian roulette. Prisoners received disability checks in jail. The new law closes all these loopholes, says Forster.

The system in recent years has also suffered from an unusually high level of litigation attributed to an administrative structure that encouraged parties to take disputes to court. In 1988, the Louisiana Legislature adopted an administrative system designed to resolve disputes without court involvement. However, an ongoing constitutional challenge delayed implementation of the system until this past Jan. 1.

Extended payments for temporary total disability—Louisiana's were longer than any other Southern state's—fueled the soaring costs of the Louisiana workers' compensation system. State courts created this situation by ruling that payments could continue beyond the point when an injured person had recovered and could return to work. The 1989 reforms put a stop to this practice.

As has happened in many other states, insurance rates in recent years were not allowed to increase at the pace of escalating benefit payouts. As a result, 55 percent of Louisiana's businesses have been thrown into the assigned-risk pool.

Nation's Business *intern Susana Dancy contributed to this article.*



Source: National Council on Compensation Insurance

Disability Benefits—State Listings

The first column shows the maximum weekly benefit **(MWB)** *to workers whose disability is total but temporary. The second column shows that payment as a percentage of the state's average weekly wage* **(WW%)**. *Figures are for 1988.*

State	MWB	WW%
Iowa	$684.00	207%
New Hampshire	600.00	162
Vermont	544.00	161
Connecticut	671.00	144
Maine	471.83	143
Illinois	604.73	142
Alaska	700.00	130
North Carolina	376.00	110
Oregon	388.99	108
Virginia	393.00	105
Alabama	357.98	104
Massachusetts	444.21	103
Montana	318.00	103
Pennsylvania	399.00	103
South Dakota	289.00	103
West Virginia	367.89	103
Dist. Columbia	513.00	102
Florida	362.00	102
Maryland	407.00	102
North Dakota	313.00	102
Ohio	400.00	102
South Carolina	334.87	102
Washington	389.32	102
Hawaii	358.00	101
Utah	347.00	101
Kentucky	343.02	100
Minnesota	391.00	100
Rhode Island	360.00	100
Wisconsin	363.00	100
Nevada	368.82	99
Wyoming	354.00	99
Colorado	371.28	94
Michigan	409.00	92
New Mexico	283.70	85
Missouri	289.75	78
Nebraska	245.00	78
Kansas	271.00	77
Louisiana	267.00	75
New Jersey	342.00	75
Arizona	276.15	74
Indiana	274.00	73
Tennessee	252.00	72
Delaware	280.64	71
Mississippi	206.50	68
Arkansas	209.08	67
Oklahoma	231.00	66
New York	300.00	63
Texas	238.00	61
Idaho	193.80	60
California	224.00	51
Georgia	175.00	47

Source: U.S. Department of Labor, based on laws in effect on July 1, 1988.

COVER STORY

How To Control Workers' Comp

Robert J. Will didn't set out to write a cost-cutting guide to workers' compensation. He founded Rate Consultants Inc. in Minneapolis in 1983 to help manufacturers save money on their utility bills. Along the way, he found his clients grumbling more about workers' comp costs than about oil and electricity prices.

After five years of researching workers' compensation, Will wrote a manual that packaged many cost-saving ideas gleaned from his clients' experiences with workers' comp. Its immediate success created a new specialty for RCI. The manual, *How To Control Your Work Comp Insurance Costs*, has sold more than 10,000 copies. Now in its third edition, it costs $295. The manual contains scores of pointers; here are the "Top 10" selected by Will:

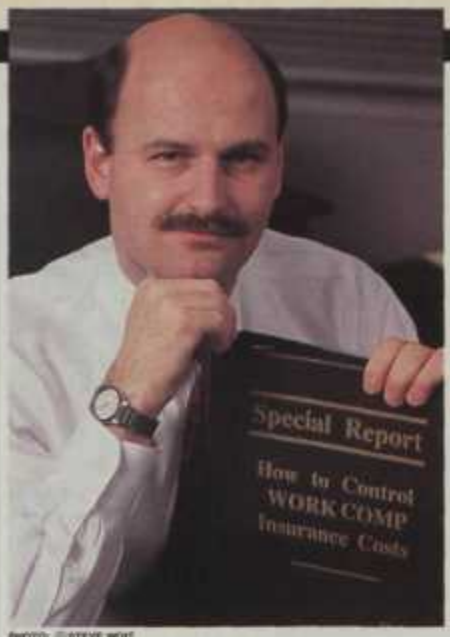


PHOTO: © STEVE WOIT

Firms can cut *their own workers' comp costs, Robert J. Will has shown.*

The Employee

Maintain an effective safety program. Statistics indicate that people—not workplace conditions—cause 80 percent of all injuries. Carelessness, daydreaming, bad attitudes, problems at home, and physical ailments are all root problems that can lead to injuries.

Don't let people continue doing things in an unsafe manner. One company changed the attitudes of its entire staff toward safety overnight with one little idea. Next to the time clock it hung a pair of safety glasses with a drill bit lodged in the right lens. Below the glasses was the true story of how one worker had just put the glasses on when the drill bit broke and flew toward his face.

Get injured workers back to work. The sooner a person is back at work, the less you pay and the happier that person will be. Analyze your facility, and decide whether there are any jobs that could be done by an injured worker. Also, designate someone as the company representative to assist injured employees. Above all, tell the employee that you are anxious to have him back on the job as soon as possible.

Keep employees happy. People with bad attitudes toward your company and its safety rules are more likely to get hurt than those who are satisfied. Use absenteeism to anticipate injuries. Research shows a definite connection between absenteeism and injury.

Pay premiums only on straight time. In most states you don't have to pay premiums on extras such as overtime, vacation pay, paid holidays, sick leave, or employer contributions to an employee savings plan. Make sure that whoever does your accounting is aware of the laws in your state.

Classification And Claims

Change rate classes for some employees. Ask your insurance agent to review whether any of your workers might fall within a less expensive rate class. For example, a company changed the rate class of four telephone sales agents from outside salesman to clerical and saved $1,000—40 percent of the firm's workers' comp cost. Job class dictates the premium rate you will pay. Costs vary with risks and range from as little as 0.3 percent of payroll for clerical staff to 200 percent of payroll for window washers.

While most workers probably are classified correctly, improper rate classes can cost a bundle.

Pay small claims yourself. This works just like a deductible on a car-insurance policy. Since many injuries are small, you can pay a little extra now in exchange for a lot lower premium later. There is no apparent reason why this isn't standard on workers' comp policies. It allows employers to self-insure some of their risk, and that can produce big savings on workers' comp premiums. However, report all injuries to your insurer just in case that small claim you paid for suddenly develops expensive complications.

Ask for a premium discount. If an underwriter has reason to believe your company is safer than average, in some states he can give you a "schedule rating" discount of up to 25 percent. Not all states allow schedule ratings.

Even if you have had trouble in the past with too many injuries, making changes that should dramatically reduce injuries may convince your insurer to offer a discount anyway, because he now has good reason to believe your safety record will be better.

Find and correct clerical errors. Go over the loss statement provided by your insurer to detect any errors. Check for incorrect loss-reserve amounts, injuries for people who don't work for you, and claims that have been settled. Review your loss statement at least every year.

Insurance Companies And Agents

Dealing with insurance agents. Get bids from several different agents each year. Negotiate with gusto to make sure you get each one's best price and service offer. Don't accept a bid from an agent who won't give you the level of service you want.

Change insurance companies. Sometimes you have to change insurance companies to cut your costs. Let your agent know that you are shopping around. Prices for the same coverage may vary by as much as 40 percent.

For further information, contact Rate Consultants Inc., 505 North Highway 169, Suite 700, Plymouth, Minn. 55441; 1-800-848-8030, extension 20.

For More Information

The Workers Compensation Research Institute is a nonpartisan organization that publishes numerous studies on issues relating to workers' compensation. Contact the Publications Department, Workers Compensation Research Institute, 245 First St., Cambridge, Mass. 02142.

The U.S. Chamber of Commerce publishes an annual *Analysis of Workers Compensation Laws*. The 1990 edition, publication No. 0196, can be obtained for $15 by sending a check or money order—payable to the U.S. Chamber of Commerce—to Carol Meyer, Publications Coordinator, U.S. Chamber of Commerce, 1615 H Street, N.W., Washington, D.C. 20062.

LRP Publications has several up-to-date books on various workers' comp issues. For example, *Workers Compensation Insurance and Law Practice, The Next Generation* offers a comprehensive evaluation of current trends and dilemmas. Contact the publisher at 1035 Camphill Road, P.O. Box 579, Fort Washington, Pa., 19034.

THE 1990 LINCOLN TOWN CAR COMES WITH SOMETHING NO LUXURY SEDAN HAS HAD SINCE 1952.



MOTOR TREND'S CAR OF THE YEAR AWARD.

WE MADE IT SMOOTHER. WE MADE IT QUIETER. WE MADE IT MORE SPACIOUS. AND THEN THE EDITORS OF MOTOR TREND MAGAZINE MADE IT FAMOUS. THE NEW, V-8 POWERED LINCOLN TOWN CAR. THE FIRST LUXURY SEDAN IN 38 YEARS TO BE NAMED MOTOR TREND'S CAR OF THE YEAR. FOR A TOWN CAR CATALOG, CALL 1-800-446-8888.

LINCOLN. WHAT A LUXURY CAR SHOULD BE.



Best Western has a plan to spruce up its hotels from coast to coast.

Because each Best Western has always been independently owned and operated, you could always count on an affordable place to stay that matched the part of the country where your travels took you.

Now, thanks to an ongoing renovation program, a good thing will just keep getting better. With new layouts. New furnishings. And new guest amenities. All designed to make things more comfortable. But not necessarily more expensive.

From coast to coast, we're changing everything but our name. And the friendly service and unique experience you've come to expect from Best Western.

Ask your travel agent. Or call our toll-free reservations line: 1-800-528-1234.

"I've heard of putting plants in your room, but never spruce trees!"



Yakov Smirnoff, Russian-born Comedian and Travel Expert

Best Western INDEPENDENT WORLDWIDE LODGING

Each Best Western is independently owned and operated.

Circle No. 4 on Reader Service Card.

Continued from Page 25

sponsibility for the origin of disease, some states have opted for a statutory presumption that the claimant's disease was work-related.

Among all workplace illnesses, the fastest-growing category is a repetitive-motion injury called carpal tunnel syndrome, a disorder that affects the hand and wrist and can require surgery. Once limited primarily to meat packers and poultry workers, carpal tunnel syndrome has become a common complaint among workers using computers and computerized equipment, such as supermarket price scanners. Repetitive-motion disorders accounted for 48 percent of all workplace illnesses in 1988, up from 18 percent in 1981.

Also on the rise are claims alleging stress-related disability. Such claims now account for only 0.1 percent of all workers' compensation cases, according to NCCI, but they are expected to increase through the 1990s as workers become more aware of their ability to file for job-related stress disability. In California, often a trendsetter, 70,000 stress claims were filed in 1986, representing 17 percent of all lost-time injuries.

Because of the potential for fraud and costly litigation over stress-related cases, many states have moved to define and circumscribe the situations in which workers are awarded stress-related benefits. In light of this trend, experts disagree over whether stress claims will explode in numbers over the 1990s.

What everyone can agree upon is that workers' compensation will continue to be at the forefront of legislative agendas throughout the new decade.

Forty-one states enacted more than 150 workers' compensation amendments in 1988-89. The most common change boosted benefit levels. Few states tackled the contentious issues of excessive litigation, lack of medical-cost controls, and inefficient administration of benefits. That leaves plenty of room for future reform efforts.

Meanwhile, in those states where workers' compensation rates have risen most sharply in recent years, many small employers feel they can't wait much longer for lawmakers to act.

Says Florida builder William Solburg: "In the long run, I'll be looking at laying people off to cut my workers' compensation costs. And I won't be able to afford raises for those who are left. The system really needs to be revamped." NB

To order reprints of this article, see Page 82.

CONTRACTING

A Demanding Customer

Selling goods and services to federal agencies can be rewarding for small firms that pay strict attention to Uncle Sam's requirements.

By Jane Easter Bahls

The federal inspector on a hospital-construction project in Ohio found fault with a sample concrete panel submitted by the builder, Blount Brothers Corp. of Birmingham, Ala.

The aggregate used as gravel in making the concrete was the wrong color, the inspector said.

The dispute was over the color of the gravel, not the color of the finished building's exterior, which was not spelled out in the contract.

Neither Blount nor the government was able to find a source of satisfactory gravel. But the government notified the company upon completion of the project that its payment would be reduced $87,340 because of the color disparity.

Blount eventually won a court decision that the specifications were faulty and the company was entitled to full payment.

As the Blount experience shows, doing business with the government can involve frustrations beyond those encountered in private-sector transactions—or not found at all.

But selling goods and services to federal agencies can be rewarding for firms willing to operate under the government's stringent contract procedures.

Here are some basic guidelines for small-business people contemplating efforts to obtain federal contracts:

- Know what you're getting into. "As a general rule, careful examination of the government specifications is the starting point," says attorney William R. Lucas of Birmingham, Ala. It's typically the inexperienced contractors who underbid or sign a contract that they can't realistically perform—with disastrous consequences.
- Understand the process for submitting a bid to the government, including avenues of appeal if problems develop. The bible of the procurement system is the Federal Acquisitions Regulation, which states all the rules.
- Get to know not only the agency you intend to deal with but also the particular contracting officer. Although government work can be impersonal and turnover in some posts is frequent, a good working relationship with the contracting officer can make everything go more smoothly.
- Know your limits. Once your name is on a government contract, the fact that you were overly optimistic about your production costs and schedule won't help.
- Balance the cost of obtaining the bid with the value of the project. Boston attorney William Hawkes notes that in complex procurements, the government might offer a proposed contract 200 pages long. The contractor should hire an attorney to put several days into reviewing the contract and proposing a counter draft for negotiations. "It often costs $25,000 to $35,000 just to bid," Hawkes says.
- Work with a contract specialist or a knowledgeable attorney to make sure you comply with all the regulations. One oversight is all it may take to cause a disaster.

Barry Shillito, an attorney specializing in public-contract law for a Washington, D.C., law firm, notes that government contracts differ markedly from customary business contracts for three reasons—the laws, the specifications, and the performance standards. Shillito and other experts on federal contracting explain the differences:

The Laws. Because of numerous laws aimed at achieving particular socioeconomic goals, the government requires contractors to make various certifications and representations about the ways they do business. Contractors must comply with equal-opportunity laws and environmental-protection laws, for example.

In addition, if a contract with a federal agency is for an amount exceeding $25,000, the contractor must take certain steps to establish a drug-free workplace.

If the contract exceeds $10,000, various wage, health, and safety standards apply. If it's over $2,500 and is principally for services, the Service Contract Act requires that service employees be paid no less than the wage rates for similar work in the area.

In some circumstances, the contractor must adhere to laws designed to channel federal work to small firms or to minority-owned companies.

Failure to comply with such requirements can cause a firm to lose a contract, says Shillito, and those that certify fraudulently that they do comply make themselves vulnerable to civil or criminal sanctions.

Specifications. While business-to-



PHOTO ©MARY WARD

The color of the gravel *in the concrete for this Air Force hospital was the subject of a prolonged dispute between the contractor and the federal government.*

Jane Easter Bahls is a free-lance writer in Missoula, Mont.

business transactions generally allow considerable flexibility, most government contracts come with highly particular specifications.

Standard specifications detail the types of materials and techniques that must be used. "The law holds that the government is entitled to receive exactly what's in the specifications," says attorney Lucas.

In some instances, Lucas says, contract specifications are outmoded, leading contractors to assume they can substitute more up-to-date parts and techniques. Not so, he says. In federal contracts, no changes are permitted unless the contract is specifically modified.

Although business in the private sector is much more flexible, "you can't make assumptions about what the government wants," Lucas says, adding a cautionary note about subcontractors: "You have to make sure your subcontractors and suppliers agree to be bound by the specifications so you don't get caught in the middle."

Performance Standards. The government does not abide by the legal principle of "substantial performance," which governs ordinary commercial transactions.

This principle requires the purchaser to honor the contract if the product is substantially the same as ordered even if it has a few minor differences. The federal government holds to a standard of strict compliance. That means that if the product or service differs in any way from the specifications, the government has the right to terminate the contract or reduce the price significantly.

If a contractor substitutes cheaper parts and then certifies that the product complies with the specifications, the company may be open to criminal prosecution.

Of course, doing business with government agencies can be profitable for those familiar with the rules and processes. Red tape may delay your payment for months, but you are sure of payment. And while the government's general insistence on accepting the lowest bid means the profit per item may be marginal, the sheer volume of business can make up for it.

If you do decide to seek federal-government business, you can consult *Commerce Business Daily*, a publication that lists virtually every proposal over $10,000. If you submit a Solicitation Mailing List Application (Standard Form 129) to each agency with which you would like to do business, the agency will send you solicitations for bids in your field.

For subcontracting opportunities, check the Department of Defense's annual *Small Business Subcontracting Directory*.

Another option is to submit an unsolicited proposal, provided you have a unique or innovative concept. Under General Accounting Office rules, unsolicited proposals must contain enough technical and cost information to permit meaningful evaluation, and they can be considered on noncompetitive terms only if the item is unique.

Doing business with government agencies can be profitable for those familiar with the rules and processes. Red tape may delay your payment for months, but you are sure of payment. And while the government's general insistence on accepting the lowest bid means the profit per item may be marginal, the sheer volume of business can make up for it.

If the item in the unsolicited proposal could be obtained by the government from another source, however, the federal agency will return the proposal and subsequently seek competitive bids.

The government generally enters into fixed-price and cost-reimbursement contracts.

For ordinary, off-the-shelf items such as typewriters and desk chairs, the government will issue an Invitation for Bid, much of which later becomes the contract, setting out the specifications, delivery requirements, and contract terms.

Would-be contractors submit a price, and the government is obligated to award the contract to the lowest bidder. The contractor bears the risk, because if the project turns out to be more expensive than planned, there's no guarantee that the government will adjust the price.

For more complicated projects, the government will issue a Request for Proposals.

Bidders prepare their own proposals, including materials and techniques to be used. In this type of arrangement, the terms are open for negotiation. The government agrees to reimburse the contractor for costs, up to a specified limit. The contractor is responsible for keeping track of costs and informing the government when they have reached 75 percent of the limit, but the government bears most of the risk.

Some contracts offer incentives, linking the amount of profit to the contractor's performance. Some adjust the contractor's profit or fee in inverse proportion to the cost of the project, as an incentive to keep costs down. Others determine the profit after examining technical performance on complex research-and-development projects, awarding more money for superior performance.

Contracts also differ in their delivery terms. There are three general categories of terms:

- "Definite quantity" contracts provide for delivery of a specific amount of product or period of service, to a specified location at a specified time.
- "Requirements" contracts provide for filling all of the specified agency's requirements for a particular period of time, as the agency places orders.
- Likewise, "indefinite quantity" contracts provide for buying an indefinite quantity, within specified limits, during a fixed period of time, as the agency places orders.

Companies seeking federal contracts should also bear in mind that the government can change the specifications unilaterally after the contract is in effect. Drawings, designs, specifications, methods of packing or shipping, and place of delivery are all subject to change. If the government does change the specifications, the contractor can make a claim for an "equitable adjustment," but the rules require that such a claim be made within 30 days.

Once the product or project is completed (or sometimes at stages in the process), the government may specify certain testing procedures.

"If those aren't done, it becomes a criminal problem," says Shillito. If tests turn up minor defects, the government usually will give the contractor an opportunity to correct them, as long as the contractor has met the delivery date.

Because the government sets particular contracts aside for small businesses, women-owned firms, and minority-owned companies, it may be well worth your while to bid on contracts. Just be sure you know the rules, make prudent decisions, and meet the deadlines. NB

To order reprints of this article, see Page 82.



$8.75. OVERNIGHT AM DELIVERY. GUARANTEED.

For those who must account for bottom lines as well as deadlines, there's Express Mail® overnight service.

At just $8.75 for an 8-ounce letter, Express Mail service offers you guaranteed* morning delivery between major markets, Saturday service at no extra charge, and more drop-off points than all of our competitors combined.



So the next time you need to send a letter or document overnight, use the package of price, speed, and convenience that only we can deliver.

Express Mail service from your post office.

EXPRESS MAIL™ We Deliver.

*Full postage refund if delivery is not attempted by noon. Some restrictions apply. Check with your local Post Office for details. © 1989 USPS

Circle No. 37 on Reader Service Card.

MARKETING

A Winning Game Plan

By Glen Macnow

Down on the court, the Charlotte Hornets were slogging through a contest that looked more like a playground pick-up game than a battle between professional teams in the National Basketball Association. Kelly Tripucka, one of the Hornets' top scorers, connected only once in 11 attempts. J.R. Reid, the team's highly touted rookie, was clearly overmatched by David Robinson, his counterpart on the San Antonio Spurs. In the end, the Spurs won, 107-82, handing the Hornets their 12th loss in 13 games.

But up in the stands of the Charlotte Coliseum, no one seemed to mind. The 23,388 fans—the 43rd consecutive sold-out crowd for a Hornets game—weren't bothered by all the bad shots and turnovers. They cheered a free-throw by Tripucka in the first quarter as if it had just won the NBA championship. In the cheap seats, a group of 500 fans known as "The Swarm" rattled noisemakers every time a San Antonio player approached the foul line. Throughout the game, marching bands blared, and a 6-foot-tall Hornet mascot stomped around on the sidelines.

Such is life in Charlotte, N.C., the second-smallest market among the NBA's 27 teams. Although the Hornets have won less than a quarter of their games since entering the NBA last season, they have attracted fans and made money beyond all expectations.

"There is a pent-up desire here for sports, for big-city alternatives," says Spencer Stolpen, the Hornets' business manager. "Charlotte is the emerging New South. A lot of corporate employees who can't loosen their ties or undo their collars during the day are looking for some excitement. They go to the game, have a beer, cheer like crazy. It works."

How well does it work? Consider these figures:

- In their inaugural season, the Hornets led the NBA in attendance, drawing more than 950,000 fans despite losing 62 of 82 games. All seats are sold out for the current season, which ends in late April. The club's waiting list for season tickets has 4,000 names.
- The franchise turned a larger profit than any other NBA team last season, Stolpen says. He would not cite figures, but a source familiar with the Hornets' finances estimated profits at $11 million.
- The club's fans spend money not just on tickets but also on ancillary products. In the NBA last season, fans spent an average of 39 cents per person at every game on shirts, mugs, key chains, and other licensed souvenirs. In Charlotte, the figure was $1.20.

Having the Hornets in town has been a big boost for the city. The Hornets generate about $110 million a year in economic activity for the metropolitan Charlotte area, benefiting businesses that range from major hotels to hot-dog stands, said a study by the University of North Carolina Center for Business and Economic Research.

What's more, the emergence of the Hornets has meant wonders for Char-

The Charlotte Hornets *have brought out more fans and made more money than anyone had expected.*

PHOTO: © JIM GUND



With smart packaging and top-rate customer service, pro basketball's Charlotte Hornets—even though they lose a lot—are packing in the fans and racking up profits.



lotte's self-image. "They have put us in the big leagues—literally and figuratively," says Larry Farber, an entertainment booking agent. Sitting courtside at a recent game, the 38-year-old Charlotte native said: "People here and around the country never considered this a major city. But now, here we are competing against New York, Los Angeles, Chicago. A few years ago, no one would have dreamed that possible."

Well, one man in town always dreamed it possible.

When he began promoting a professional sports team for Charlotte in the mid-1980s, businessman George Shinn recalls, the experts were quick to voice doubts. The city was too small to compete, they argued. Its loyalties were rooted in college sports. It had no history of professional athletics. "People laughed at the idea of bringing major-league baseball, football, or basketball here," Shinn says. "I remember reading somewhere that the only franchise that George Shinn could expect to land for Charlotte was the one with the golden arches."

The commissioners of major-league baseball and the National Football League were no more encouraging. But in 1985, NBA Commissioner David Stern opened the door a crack. The league planned to add two franchises in 1988 and had been successful in smaller-market cities such as Portland, Ore., and Sacramento, Calif. Perhaps Charlotte would be considered among the dozen applicants, Stern said, but it would have to prove itself to be "the Spud Webb of expansion hopefuls." Stern was referring to the 5-foot-7-inch Atlanta Hawks player who made it in a league of 7-footers by working a little harder, running a little faster, jumping a little higher.

Shinn, now 48, was prepared to do that. After all, he had been exceeding others' expectations since graduating last among 224 students in the Kannapolis High School class of 1959. "I knew what it was like to struggle and be counted out," he says. After being reared in poverty by a widowed mother, Shinn tried several jobs in several fields before hooking up in 1964 as a recruiter for the Evans Business College in Concord, N.C. Within four years, without investing any money, he had worked his way up to co-owner. By the late 1970s, Shinn had built the school into a profitable chain of 22 small business colleges throughout the South catering to the needs of military veterans.

Shinn also owns five truck and automobile dealerships, a small printing company, and a number of fast-food restaurant franchises (none with golden arches).

In addition, Shinn has written four books, which earn him an estimated $100,000 a year in royalties. Two are motivational: *The American Dream Still Works* and *The Miracle of Motivation*. The other two are textbooks: *Leadership Development* and *Professional Selling*.

What George Shinn knows best is sales. And it was his sales ability—



"Hugo the Hornet" *leads cheers; at right, veteran player Kelly Tripucka talks with team owner George Shinn.*

PHOTOS: © JIM GUND; INSET: © DONNA BISE

You own your trucks, because you want control of your trucks. But are you really aware of all the expenses that come with them?

Expenses like fuel, maintenance and insurance, plus hidden *administrative* costs like driver downtime.

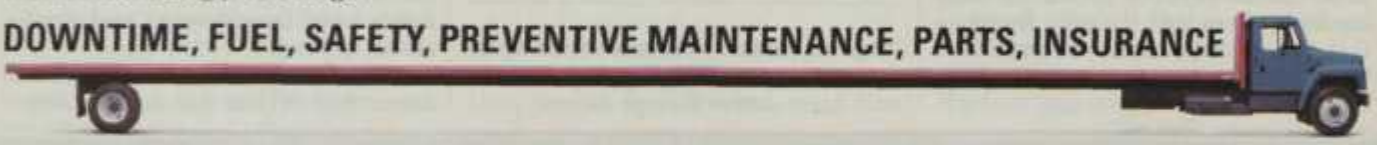
If you're concerned that you're spending too much time and money on transportation, if you're curious about benefits to be gained from the new tax laws, why not take another look at leasing?

Because we'll prepare a detailed analysis comparing the cost of owning your fleet to Ryder Full Service Leasing. No strings. No gimmicks. Just fill in the coupon below, or call us at 1-800-446-5511, Extension 121.

We want to keep your trucks from overloading your budget.

ARE YOUR TRUCKS CARRYING HIDDEN COSTS?

DOWNTIME, FUEL, SAFETY, PREVENTIVE MAINTENANCE, PARTS, INSURANCE



Mr. Robert Rauscher
Ryder Full Service Leasing
3600 NW 82nd Avenue
Miami, FL 33166

I'd like to compare our present vehicle ownership costs with those of a Ryder Full Service Lease. Please have an Account Manager contact me.

Name_____

Title_____

Company_____

Phone_____

City_____ State_____ Zip_____

RYDER.

We're there at every turn.™

Circle No. 83 on Reader Service Card.

© 1989 Ryder Truck Rental Inc. A RYDER SYSTEM Company

along with $1 million in venture capital—that eventually sold NBA owners on the notion of Charlotte as a major banking center packed with professionals who had money to spend and wanted big-time sports in their city. The presentations by Shinn and by those representing other cities were so persuasive that the NBA added not just the planned two clubs but altogether four—Charlotte and Miami in 1988, Minnesota and Orlando, Fla., in 1989.

Shinn made sure that the Hornets would be, if nothing else, one of the league's most responsive franchises. The philosophy is basic, according to the club's general manager, Carl Scheer: The newborn Hornets, consisting largely of castoffs from established teams, cannot hope to ensure excellence on the court, so they strive to ensure it everywhere else—especially in customer service.

To emphasize his point, Scheer had cards printed and distributed to every front-office employee. The message:

"What is a season-ticket holder?

"1. A season-ticket holder is the most important person ever in this office in person or by mail.

"2. A season-ticket holder is NOT dependent on us—we are dependent on him.

"3. A season-ticket holder is NOT an interruption of our work . . . he is the purpose of it. We are not doing a favor by serving him . . . he is doing us a favor by giving us the opportunity to do so.

"4. A season-ticket holder is NOT someone to argue or match wits with. Nobody ever won an argument with a season-ticket holder.

"5. A season-ticket holder is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves."

Says Scheer: "For now, being an expansion team, we have to take the focus off wins and losses. We try to be a class organization that puts on class entertainment every night. The game is significant, but everything else is packaged so well that losing becomes palatable."

The Hornets may be the most thoroughly packaged franchise in sports, with everything from half-time shows to players' uniforms designed down to the most minute detail. Whenever a break in the game lasts more than a few seconds, "Hugo the Hornet" runs onto the hardwood to lead cheers. A "floor choreographer" serves as a traffic cop at home games, controlling all on-court activity except the actual play.

The highlight of the game one night recently was the half-time appearance of the Johnson C. Smith University marching band. The 100 band members looked tightly packed on the basketball floor, but they performed with a precision that could only make the Hornets' players envious.

"We've borrowed the philosophy from Disney that the small things count," says general manager Scheer. "To us, taking fans for granted is the ultimate sin. So we concentrate on the things that more-established teams sometimes forget about, like parking-lot ambiance, restroom cleanliness, half-time shows."



PHOTOS: © DONNA BISE



Half-time entertainment. *at top, is part of the packaging of the Hornets; below, fans gave the team a thank-you card and a parade at the end of last season.*

And uniforms. The Hornets hired world-famous designer and native North Carolinian Alexander Julian—who was paid in installments of Southern barbecue rather than dollars—and told him to use his imagination. Julian came back with pin stripes, pleated shorts, and pro sports' most unusual color combination—purple and teal. Why those colors?

"Julian told us those would be hot colors in the design industry in the coming years," says Shinn, and that they "would appeal to women as well as men. We liked that."

The introduction of the uniforms revealed more about Shinn than his tastes in fashion. At the New York City press conference unveiling the NBA's latest look, Tripucka called the get-up "damn nice." He soon found himself scolded by the owner, who made it clear that his team was not to indulge in profanity—on or off the court.

"We live here in the Bible Belt," says Shinn. "The objective is not to offend anyone, even if it's three old ladies. So I have some requirements. I require [the team's head coach] to wear white shirts and conservative sports coats. I require the team to wear ties when traveling. And I require control. I've told the coach that if he ever embarrasses the club or community, throwing a chair like Bobby Knight [Indiana University's coach], his job ends when that chair stops sliding."

Shinn is also the only NBA owner who has each game opened with a nondenominational invocation. The league office has hinted its displeasure, he says, but praying sells in Charlotte, and keeping the customer happy is paramount to the Hornets.

Others in the NBA have criticized Shinn for his deep involvement in the club's day-to-day affairs. The criticism grew after the Hornets used the fifth pick of the 1989 draft to select J.R. Reid, out of the University of North Carolina at Chapel Hill. It marked the second straight year that the franchise used its top pick to choose a regional hero; in 1988, the Hornets chose University of Kentucky star Rex Chapman. In addition, it was the second straight year that some observers felt the club's choice was based more on the player's crowd appeal than on his shooting instincts.

"Blatantly untrue," Shinn states. "Our scouts felt he was the best player available with our pick. Marketing was not a consideration. Nor was I involved."

Shinn does exert some influence in decisions concerning which players come to Charlotte, however. He requires that the Hornets sign players who would make good role models. He insists that each player's contract include a provision for community service; those who balk are sent packing.

"We're selling this team every day at civic clubs, Rotary meetings, YMCAs, places like that," Shinn says. "When I meet players, I tell them to give something back to the community for their big salaries. The kind of stuff that plays in New York or Los Angeles doesn't always play here. Charlotte is a different kind of town."

What plays in Charlotte now is the Hornets. And though they've lost more than they've won so far, they are playing to great reviews. NB

Glen Macnow covers the business of sports for The Philadelphia Inquirer.

FOCUS ON THE 1990S AS A LAUNCHING PAD FOR BUSINESS INNOVATION AND SUCCESS IN THE 21ST CENTURY.

1990 Annual Meeting
U.S. Chamber of Commerce
April 29-May 1
Washington, D.C.



FORUM SERIES
Your Legislative Calendar—Emerging Issues
Your Organization's Future—Managing into the 21st Century

BUSINESS BREAKFAST
The 1990 Elections: Succeeding When Political Power Shifts

FIRST GENERAL SESSION
Education: Key to the Future

FEDERATION LUNCHEON
Global Politics and Economics:
The Trend toward Democracy

SECOND GENERAL SESSION
Managing the Future: Will You Be Ready for the Year 2000?

GALA ANNUAL DINNER/DANCE
with Crystal Gayle

Meeting Registrations: 301/468-5120
Hotel Reservations: 202/483-3000

MARKETING

Service In A Box

A small firm shows how it has won customers who are willing to place phone orders for its big-ticket products without seeing them first.

By Mel Mandell

If your company needed a piece of equipment priced at about $50,000, would you buy it sight-unseen from a supplier you had never met?

Small companies throughout the U.S. do just that when they do business with Bush Refrigeration. The 11-year-old firm, headquartered in an old, two-story building in Camden, N.J., near Philadelphia, sells walk-in refrigerator boxes to hundreds of customers a year, particularly food stores and flower shops. Bush Refrigeration describes itself as the nation's largest supplier of cold boxes to florists. In 1989, the company's seven-member sales force sold $5.5 million worth of the boxes, which range from $800 to $50,000 apiece. By 1992, the company expects to gross $8 million, according to Michael Sussman, co-owner of the business with Jeffrey Bush.

All sales—except for a few to customers in the Philadelphia and Camden area—are made by phone. Bush spends up to $8,000 a month on toll-free "800" phone lines so its customers can call the company at no charge. The orders that customers place typically result from the company's promotional mailings, which are designed by its employees. Management claims that an impressive 25 percent of those who respond to the promotional mailings on the toll-free lines order on the first call, and an additional 10 percent ask for catalogs.

Bush Refrigeration also depends on an array of Apple Macintosh computers to promote the business. Each customer's records are computerized and can be displayed on a screen quickly when the customer calls. Another computer program reminds salespeople to follow up on customers who did not order during their initial calls.

About three-fourths of Bush's refrigerator boxes are sold to wholesale and retail florists. Other major categories of customers are meat and fish stores, supermarkets, gourmet-food shops, and health-food stores. The company last year did not succeed in cracking a new market—sales of refrigerator boxes to supermarkets for chilled display of flowers. Sussman attributes the failure to insufficient initial mail promotion.

Mel Mandell is a free-lance writer in New York City.



PHOTO: © SAL DIMARCO—BLACK STAR

Refrigeration boxes *for displaying flowers or food are generally ordered by phone from Bush Refrigeration, owned by Michael Sussman, left, and Jeffrey Bush.*

Today, the partners' thriving business consists of Bush Refrigeration and a subsidiary, Kohlder Manufacturing. Jeffrey Bush, 35, started Bush Refrigeration more by accident than by design. His parents owned a local refrigeration-service business where he had once been employed. One of the company's customers, florist Hal Cook of Runnemede, N.J., convinced Bush—by then a photocopier salesman—that there was opportunity for a firm that would not only service refrigeration boxes but also sell them.

The first box that Bush sold was a used machine he had taken on consignment from a local delicatessen. He refurbished the box and then delivered and installed it himself at a local florist's shop. He used the proceeds from the sale as a down payment on a new cold box for the deli. In effect, Bush Refrigeration was founded with no initial investment.

A year later, Michael Sussman, 34, who had known Bush when both were selling photocopiers, joined his former colleague. Operating out of Bush's apartment in downtown Philadelphia, they continued doing it all themselves, selling only regionally. As their sales increased, they realized that they could never grow into a nationwide business if they didn't expand into manufacturing. In 1984, they founded Kohlder.

About 25 percent of Bush's boxes are manufactured by Kohlder, which is in an old factory about a half mile from Bush Refrigeration. Kohlder also sells its boxes directly to local customers. Most Bush products are manufactured on a private-label basis.

The Kohlder plant, with eight employees, is managed by Cindy Waldman, 30, who designs all the customized boxes on a Macintosh microcomputer using AutoCAD, computer-aided-design software.

After the refrigeration boxes are assembled, they are tested before they are shipped from the plant. The smaller boxes then are raised by forklift onto delivery trucks driven by contract truckers. The larger boxes, which measure 40 by 80 feet and stand 8 feet high, are disassembled before they are shipped. They are reassembled at customers' locations by local refrigeration technicians under contract to Bush.

Sussman claims this "guaranteed installation" procedure that Bush Refrigeration adopted from the beginning is

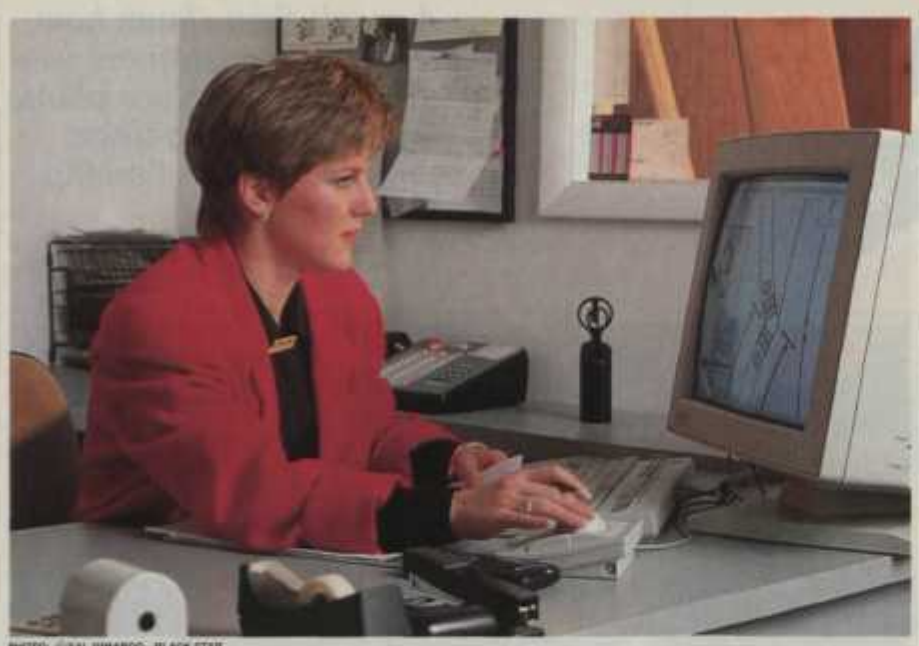


PHOTO: ©SAL DIMARCO—BLACK STAR

Manager Cindy Waldman *of Kohlder Manufacturing uses a computer to design a refrigeration box for a customer of Bush Refrigeration.*

the major reason for the firm's success. At the time the firm was begun, the practice among other companies supplying refrigeration boxes was to have them delivered to customers—who then were left with the task of arranging for installation. Today, of course, most of Bush's competitors—there are four national companies and dozens of local firms around the country—guarantee installation.

(About 30 percent of Bush's customers have employees or contractors experienced in setting up refrigeration units, and those companies do their own installations—which earns them a discount from Bush Refrigeration.)

By the time that other major refrigeration-box suppliers had concluded that Bush Refrigeration's competitive strength was a result of the company's service to customers and had started trying to match it, Bush was established and growing—and acquiring customers such as Dale La Casse.

La Casse, owner of Marlborough Greenhouses, a mail-order floral business in Marlborough, N.H., bought a $40,000, 20-by-86-foot cold box from Bush Refrigeration without ever meeting one of its employees face to face. La Casse says that before he placed his order, he carefully checked out other makers and found the quality rating of Bush's products to be "as good or better than that of the competition." The deciding factor, he said, was the price. When the shipment arrived, La Casse was impressed by Bush's service: The three-man assembly crew discovered that a vital component for the big box was missing. Bush shipped the part at its expense to arrive by air the same day at the nearest major airport, Boston's Logan International.

Bush also thrives by offering competitive prices, leasing plans, innovative designs, fast delivery (within 24 hours for items in stock, three to five weeks for custom designs), and extended warranties. One of the more distinctive designs, Sussman says, is the popular octagonal refrigerated floral display case. The eight-sided box permits the contents to be viewed from any side through large glass doors.

The company's sales are stimulated also by its extended warranties. The key compressor in the refrigeration unit is warranted for five years; all other parts are for one year. If any part fails within the first 90 days, Bush pays the entire cost of repairs. Usually, the customer calls in the same refrigeration technician who installed the box—a practice that has helped Bush Refrigeration's telephone recruiting of technicians in remote places.

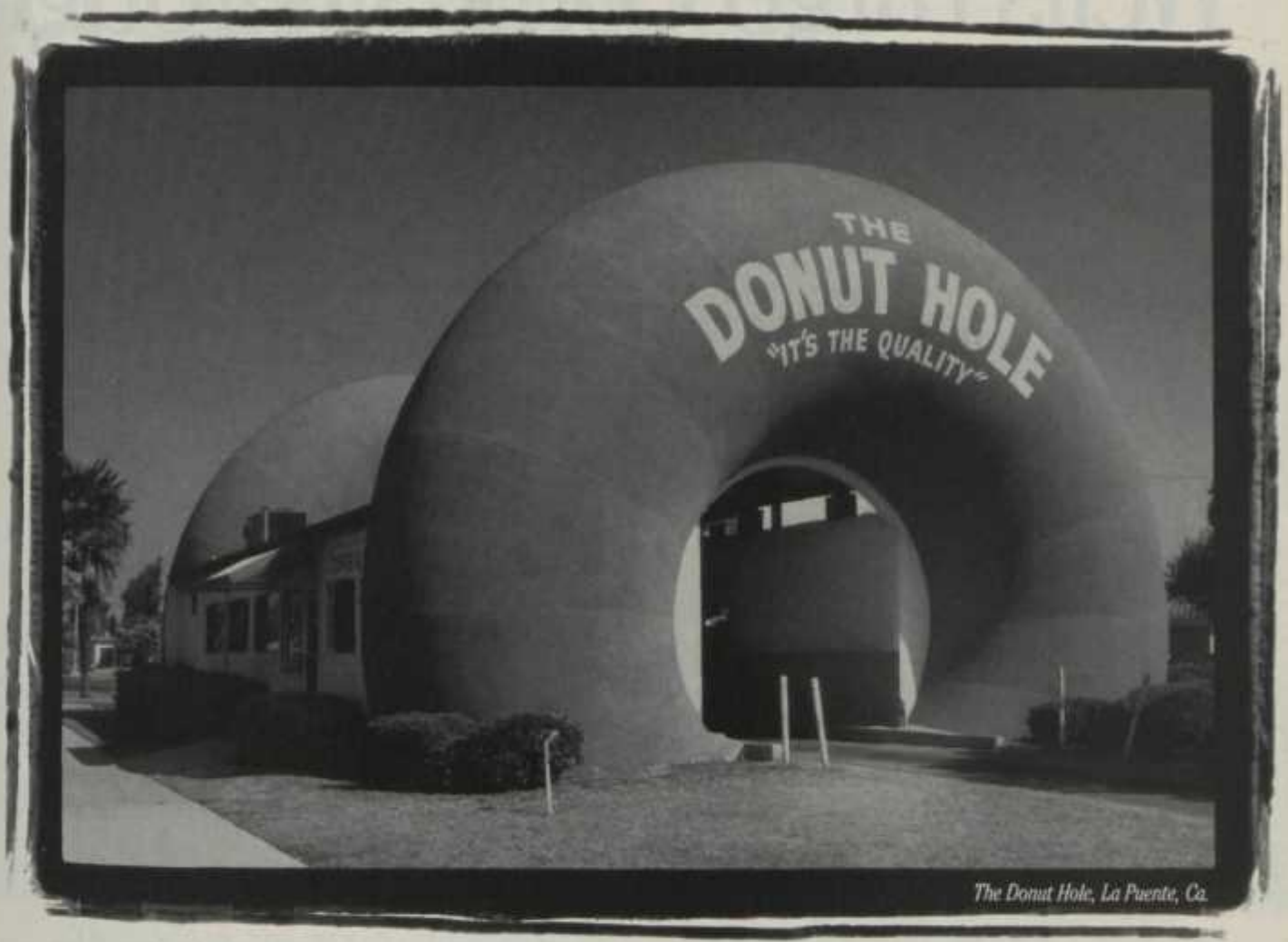
Although Bush and Sussman say they may take their company public someday, for now they are satisfied with what they have achieved: a prosperous enterprise where informality is the working style and service is the standout quality. It's a company that Sussman says he hopes will be "an inspiration for other business people." NB

No fit,
no fee.

Management Recruiters.
No excuses, no alibis.
Just maximum recruiting
performance.

MR MANAGEMENT RECRUITERS®
The search and recruiting specialists
Over 400 offices nationwide

Circle No. 10 on Reader Service Card.



The Donut Hole, La Puente, Ca.

No matter what they look like outside, businesses prefer Du Pont Certified Carpet inside.

In America, businesses come in all shapes and sizes. But there is one thing most of them share: a strong preference for Du Pont Certified Commercial Carpets.

For good reason. Carpets that bear the Du Pont certification are crafted by a select group of mills to the highest standards in the industry. So you can be sure that every one will deliver good looks and first-class performance to your business for years to come.

Get the carpet that architects and interior designers specify 2 to 1 over anything else. Ask your flooring supplier for Du Pont Certified Commercial Carpets.

Du Pont Certified. The Carpets American Business Is Built On.

DU PONT

Flooring Systems

Wells Fargo Comes Through

Then.



The name Levi Strauss appears as a courtesy of Levi Strauss & Company.

In early California, it took more than good intentions for small business to survive.

Often it took the resources and personal service of a Wells Fargo agent. If, for example, a merchant ran out of work pants, our agent could refer him to a gentleman named Levi Strauss who was always ready to fill an order for those copper-riveted denim pants.

The agent would even wire the order and see that it arrived promptly by Wells Fargo Express.

Today our agents are called Wells Fargo Business Bankers.™ And they're still coming through for every Wells Fargo small business customer.

Your Business Banker can provide access to financial resources that go far beyond those of less substantial banks. Including a wide range of financial products specifically designed for California small business. (After all, you've got enough to do without worrying about merchant cards and lines of credit and payroll and retirement programs.)

Along with the expertise of a banker who'll be there whenever you have a problem to solve or opportunity to profit from, you'll enjoy proven 24-hour person-to-person phone service. Plus longer, more convenient office hours to meet the needs of small business. Even on Saturdays.

If you'd like to sit down with a Wells Fargo Business Banker, simply call our Business Banking Hotline at 1-800-642-BANK, ext. 506. Let us know when it would be convenient for you.

Or talk to your local Wells Fargo office.

Wells Fargo comes through again.



WELLS FARGO BANK

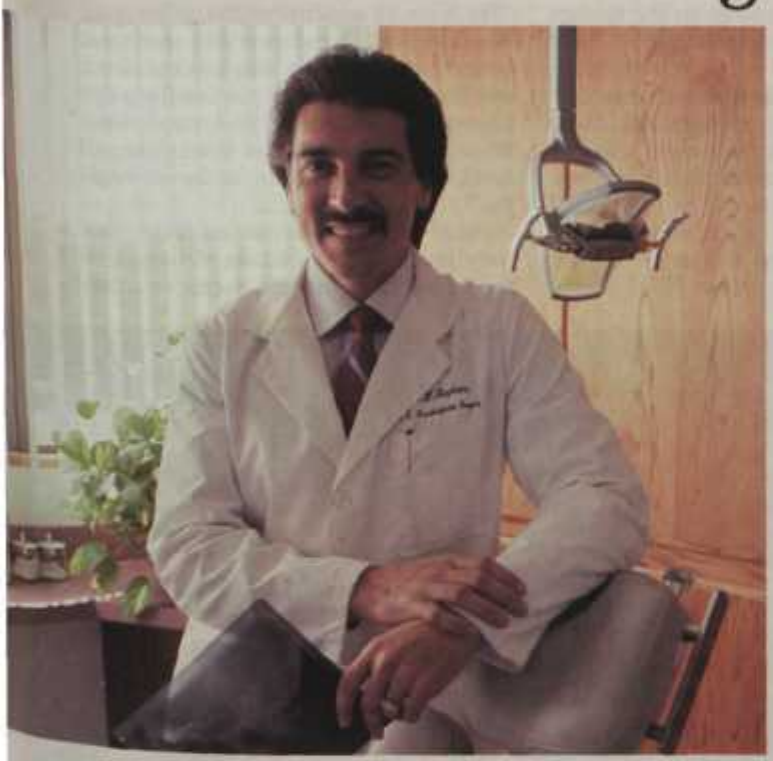
© 1990 WFB, N.A.

Member F.D.I.C.

Circle No. 35 on Reader Service Card.

For Small Business.

Again.



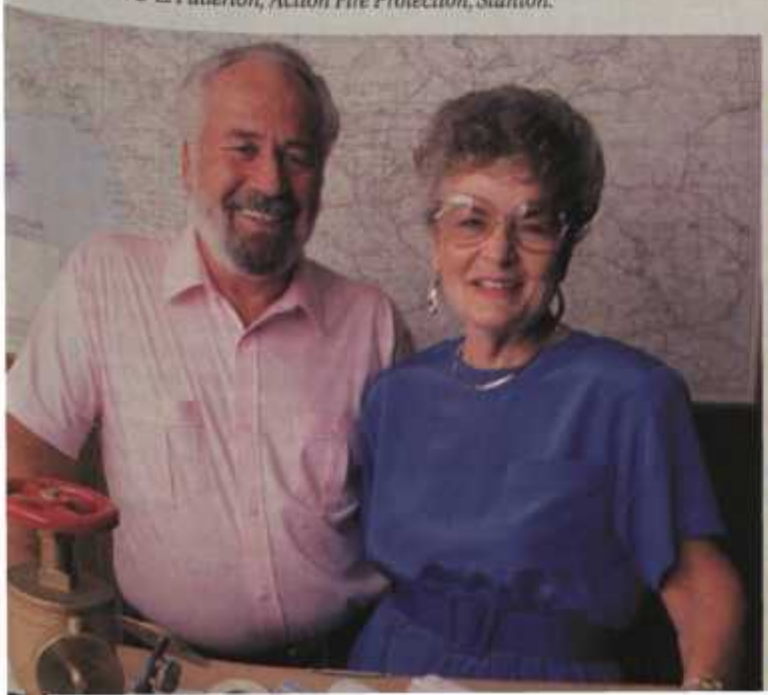
"Operation a success! I moved my practice to California and got established smoothly, with creative financing arranged by my Wells Fargo Business Banker." *Dr. W. Frederick Stephens, Oral Surgeon, So. Pasadena.*



"Talk about above and beyond the call of duty...the day after a major earthquake, our Business Banker still got our payroll processed!" *M. O'Brien, Cricklewood Restaurant, Santa Rosa.*

"We had loans all over town. Our Business Banker advised one loan, one line, one bank. A simple solution that saved us lots of headaches." *D. & L. Fullerton, Action Fire Protection, Stanton.*

"How's this for quick turnaround? My Business Banker dropped everything and came through with major financing approval in just two hours!" *Y. Lee, Collection by Design, Los Angeles.*





WORKPLACE

The Creative Touch

By Jennifer Katz

Imagine the scene: The office conference room is small and crowded. A sign on a chalkboard states, "There are no stupid ideas, only stupid people." Each person has an itemized agenda of points to be covered during this brainstorming session. The manager keeps tapping at his wristwatch to remind employees of the time they are wasting. He criticizes most ideas as "impractical in our corporate environment."

Now picture a totally different scene: A small group of employees gets together in a meeting room at a local hotel. They are dressed casually. The atmosphere is friendly yet charged with excitement. The manager uses the board to outline the objective of the brainstorming session, and then he leaves the meeting. The employees can spend as long as necessary finding creative solutions to meet corporate objectives. The manager checks in occasionally to answer questions and see if he can help in any way.

Those scenes are drawn in extremes to highlight contrasting ways of generating ideas and promoting creativity among employees. For most companies, some combination of both the hands-on and the hands-off techniques might be best for encouraging employees to be creative. As you formulate the best approach for promoting workplace creativity within your firm, consider these recommendations drawn from the comments and experiences of experts:

Decide if you really want your employees to be creative. "How much control are you willing to give up?" says David Hills, research associate with the Center for Creative Leadership, a leadership-development organization based in Greensboro, N.C. "How many risks are you willing to take? How many mistakes can you tolerate? These are some questions you need to answer for your individual corporate situation."

If your corporate structure is rigid and intolerant of those who think differently, creativity is not likely to be rewarded, and so it won't flourish. The question for each manager is how open he or she is willing to be to the change that can flow from creativity.

Avoid the possible deterrents to creativity. As a way to stimulate thinking on ways that workplace creativity can be promoted, Richard Wright, vice president and chief scientific officer of Mead Imaging, in Miamisburg, Ohio, describes ways that it can be *stifled*: "Build rigid systems that force people to conform. Develop arbitrary systems. Eliminate team play; make it difficult to share ideas. Put your employees into an environment where taking risks is unacceptable. Make it painful to fail."

Wright explains the corporate culture he fosters: "Ideas come from individuals, but implementation requires a team, so everyone has to work together. I spend a lot of time and energy in dialogue. Everybody's idea is OK, but we work together to develop the best one. I explain the direction of the company, so my creative employees really understand how their work impacts the future of our business."

Recognize creativity as a survival tool. In small and midsized businesses, creativity often is synonymous with survival. "We're a little company compared to the competition," says Wright. "We have to out-invent the other guy. We find that the answers to our most important questions don't come from our top executives, they come from our scientists, engineers, and marketers. We must allow creative input from all levels of the company to be successful."

Some corporations are so large that they must have a certain structure so that they can maintain focus and control. But that structure may also inhibit the creative process. Consequently, if they have the creative flexibility necessary to advance, small companies can gain an advantage over their larger competitors.



ILLUSTRATION: DAVE ALLEN

Find out who is creative. Opinions vary on who the creative individuals are. Researcher Hills contends that everyone is capable of creativity. "It is not a trait reserved for the select few," he says. "Studies of creativity suggest that the biggest single variable of whether or not an employee will be creative is whether he perceives he has permission. Is it evident that creative behavior is welcomed, or do you want polite, predictable behavior that doesn't rock the boat?"

Roland Elgy, vice president for marketing and international sales for Mac-

Jennifer Katz is a free-lance writer in Indianapolis.

Are you doing all you can to foster your employees' creativity? Before you answer, consider these points.

Millan Computer Group, a Carmel, Ind., company that produces how-to books for using computers, feels that creativity is inborn to some extent. He maintains, however, that less creative people can be coaxed into looking for opportunities for expressing creativity. "Month to month, our market changes," Elgy says. "New products demand new attention. We all have to be creative. I need my employees to be creative not just in marketing but in sales and distribution. Anyone who is in a position to influence the buyer must think of ways that we can do it better."



One change that grew out of the company's search for better ways to work affects the operations of the telephone-sales staff. No longer do salespeople only take orders by phone; each call now typically includes a conversation exploring the customer's ideas for new products that MacMillan could develop.

Even in a factory with unskilled labor, managers can encourage a creative environment. Take the experience of Period Furniture, a manufacturing company in Henderson, Ky. Dale Nesbit, vice president and general manager, tells of an employee's innovative solution for a nagging problem: "We had a concern about screws on the floor of the plant—they were a safety problem, and they often flattened the tires of our hand trucks. One employee suggested putting magnets on the bottom of all of the vehicles that drive through the plant. The magnets pick up the screws, and that cleans the plant, saves screws, and keeps our hand trucks from getting flat tires."

Find ways to channel workers' creativity. "Creativity is only useful if it is channeled and directed," says Jeff Harper, manager for corporate marketing for the Indiana Farm Bureau Co-op, an agricultural supply and marketing organization in Indianapolis. "Our challenge is to be objective-driven without compromising creativity," Harper says. His method is to focus on the objective and let employees be creative about accomplishing it.

"You need creativity in any business," Harper says. "Everybody can do the normal. For a business to be successful, it has to be 1 percent better. To do that, you have to have unique approaches to standard situations. You have to be creative."

Pamela DuBose, executive vice president and director of consumer marketing for Burson-Marsteller, a New York public-relations agency, says: "Creativity unrelated to a business plan has no value. The idea has to be doable. The challenge is to find a way to allow creative people to do what they need to do within a corporate environment. I try to put myself into their heads. Instead of managing them the way I would want to be managed, I try to manage them the way they want to be managed." She finds it worthwhile, for example, to steer paperwork tasks away from the more creative staff members so they can concentrate on what they do best.

Learn ways to motivate creative employees. What motivates creative people? Often not the things that typically motivate other business people, some experts say. Pamela DuBose expresses one view: "Creative people aren't necessarily motivated by money or titles, they may not want a larger office or more work, they don't often want more responsibility. They want to see their ideas implemented. They need to feel they will make a difference."

Susannah McCall, a Houston-based analyst of commodity-price forecasts, says, "Creative employees in a rigid structure feel like a cow in a stall going to slaughter." She offers her own thoughts on what creative employees need in order to be motivated:

- The creative employee needs mental stillness. Managers should not second-guess or belittle others' ideas, or constantly interrupt those doing a task to check on progress.
- Creative employees need to know what the corporate rules are. What are the objectives and the cash restraints? How much time is the employer willing to have employees devote to the task?
- Finally, creative employees need positive recognition. While money does not necessarily motivate such employees, their self-esteem requires that they be paid according to their performance and be recognized for good ideas.

"Look at it this way," McCall says. "A rare plant in your back yard starts to bloom. You're not sure how you acquired this plant, but you don't want to do anything negative or harsh to it, or it will go dormant and blow seeds everywhere else. Employers need to nurture their creative plants." NB

To order reprints of this article, see Page 82.

Look into more UpTime.

Introducing GMC TopKick and Chevrolet Kodiak. Two new medium trucks designed to help eliminate one old problem: Downtime.



©1989 General Motors Corporation. All rights reserved.
GM, GMC Truck and Chevrolet are registered trademarks, and TopKick and Kodiak are trademarks of General Motors Corporation.
Caterpillar and CAT are registered trademarks of Caterpillar Inc.

Dependability.

Dependability has a simple definition: your trucks go out every morning and come back every evening without you worrying about them. To make the new TopKick and Kodiak that dependable, we concentrated on design, engineering and testing.

Designing the new TopKick and Kodiak conventional medium trucks was, from the start, a customer-driven process. General Motors engineers asked truck users about the truck concerns they had encountered on a day-to-day basis. They listened; then went to work.

Some improvements were major innovations. Others were evolutionary: simply taking things that already worked well and finding ways to make them work a little better.

GM is so confident of the quality and dependability you'll get from the TopKick and Kodiak, they've backed them both with one of the best warranties in the medium truck business. See your dealer for terms of this limited warranty.

Performance.

Since the engine is the heart of a medium truck, TopKick and Kodiak were given the best engine lineup in the business. It includes two rugged 6.0-liter and 7.0-liter V-8 gasoline engines with electronic fuel injection.

TopKick and Kodiak are also available with the premium Caterpillar® 3116 in-line six-cylinder diesel.

Getting the job done requires a medium truck with good handling and maneuverability. To enhance performance on the road, GM engineers designed the TopKick and Kodiak with a short turning radius.



Driver comfort is also part of the overall performance measure of a medium truck. So GM engineers gave TopKick and Kodiak significant refinements in the cab area, including easier entry and exit, greatly improved visibility, better seating support and double-stitched seat seams. Those features and more should all help drivers be more productive because they'll be more comfortable behind the wheel.

Serviceability.

Serviceability is an essential component of UpTime; when your trucks are in the shop they're not on the job. So these new trucks are designed to help make service and maintenance quicker and easier.

In some cases, easier maintenance meant redesigning parts. A new steering-column ball joint design, for example, increases recommended lubrication intervals by 54,000 miles. And an all-disc brake system means a reduction in brake maintenance downtime due to recommended scheduled maintenance.

In other cases, easier maintenance meant relocating items. A maxi-fuse box, for example, now puts all major engine-compartment fuses in one easy-to-get-at location, instead of scattering them at remote engine locations. The new TopKick and Kodiak have a standard tilt hood and integral grille that tilts for easy engine access. If your job application requires a stationary grille, you can spec access panels that make it easy to reach engine maintenance components by simply unlatching and lifting a panel.

Getting the truck part you need, when you need it, is also important. So GM has streamlined the GM parts and service system to give you quicker turnaround on truck parts. And that means more UpTime.

For more information on these new medium trucks, call 1-800-VALUE90 (1-800-825-8390).

TAXES

Tax Changes Spell Increases

The array of tax-law changes that Congress passed last year may look like minor matters—until they start costing your company.

By Joan C. Szabo

Toward the close of last year's session of Congress, lawmakers enacted a series of tax-law changes that will have a generally negative impact on many businesses. Provisions of the Revenue Reconciliation Act of 1989 will increase the government's net tax revenue by over $5 billion in fiscal 1990. Most of this tax revenue will come from business.

While many tax professionals describe the recent tax changes as obscure loophole closers, the cumulative impact of the act is significant. "There are a dozen or so relatively modest tax increases," says David Burton, manager of the Tax Policy Center for the U.S. Chamber of Commerce. "But if your business happens to be one of those affected by the hikes, the effect is quite pronounced."

These are the principal areas affected by the latest tax-law changes:

Tax Deposits

A provision of the tax act requires some businesses to accelerate payroll-tax deposits to the federal government. Scheduled to take effect Aug. 1, 1990, this change is the biggest revenue raiser—bringing in about $2.4 billion in the final two months of the government's budget year, which ends Sept. 30.

The change sets earlier deadlines for those employers who are required to deposit payroll taxes up to eight times each month. Deposits have been due within three banking days following "eighth monthly periods" ending on the 3rd, 7th, 11th, 15th, 19th, 22nd, 25th, and last day of each month, provided undeposited taxes are $3,000 or more on those dates. Under rules effective July 31, the deposit of payroll taxes—including withholding for income and Social Security taxes—must be made on the next banking day whenever those taxes total at least $100,000. For lower totals, the previous deposit rules apply.

Prompting the change is a belief within the Congress that this money really isn't the employer's, says Jack Porter, Washington-based national tax director for the accounting firm of BDO Seidman. "The funds are withheld from employees' paychecks," he notes, and lawmakers accelerated the deposits so the government, not the employers, would receive interest on them.

Interest on large sums over three days can be substantial.

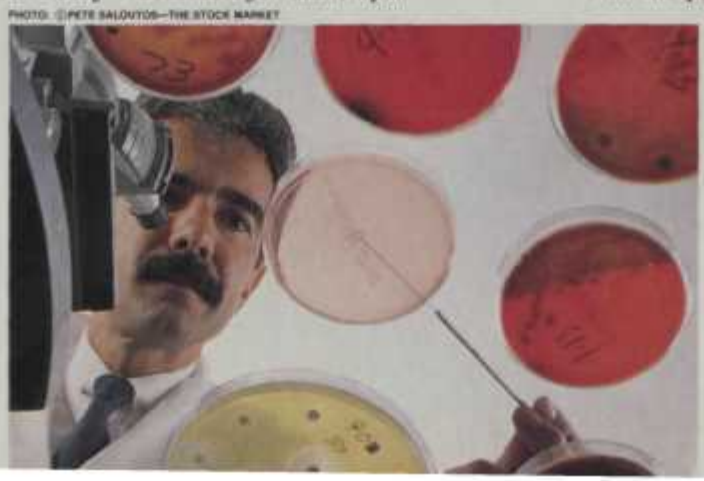
But this adjustment could be more burdensome for medium and large companies than Congress originally realized, says the Chamber's Burton. This is especially true if a company has more than one plant or outlet. Such companies will have to make deposits before they can calculate how much they really owe. Companies with a number of outlets, says Burton, will have to make deposits a day or so before they can collect records on how many hours were worked during the pay period, or how many people were on the payroll.

Tax deposits also will be speeded up for the airline industry, which collects an 8-percent tax on passenger tickets, and for gasoline wholesalers, who collect a gasoline tax of 9.1 cents a gallon.

Lawmakers also made some changes in the area of tax penalties. One change especially important to small business establishes a graduated set of penalties for late deposits of employment taxes. Under the new law, the taxpayer is penalized 2 percent of the amount of the underpayment if the failure to pay the tax deposit is for not more than five days, 5 percent if it is for more than five days but not more than 15 days, and 10 percent if it is for more than 15 days. However, firms that fail to make the required deposits after they receive the first delinquency notice will pay a 15-percent penalty. Under prior law, the penalty was a flat 10 percent of the amount of the underpayment.

The tax credit *for research is now available for start-ups.*

PHOTO: ©PETE SALOUTOS—THE STOCK MARKET



S Corporations

The act also includes a change that will affect owners of S corporations. The law requires S corporations to make estimated payments of the corporation-level taxes resulting from recognition of built-in gains, from excess passive income, which is derived from for-profit activities in which the taxpayer is not materially involved, and the recapture of investment tax credit. Before these changes, S corporations generally were not required to make estimated tax payments. "This change could catch a number of small-business people off guard, because many of them are not used to paying estimated tax as an S corporation," says Thomas P. Ochsenschlager, a partner with the Grant Thornton accounting firm in Washington.

ESOPs

Congress made a number of changes in the tax treatments of Employee Stock Ownership Plans (ESOPs). These are qualified retirement plans designed to invest the plan's assets primarily in an employer's securities. In addition to providing employee retirement benefits, ESOPs are used as financing vehicles, as a way to provide a market for a shareholder's stock, and as a way to provide liquidity to the estate of a shareholder.

One important modification involves an interest exclusion for ESOP loans. In the past, qualified lenders could exclude from income 50 percent of the interest they received on loans to ESOPs for the purchase of employer securities. Generally, this has allowed employers to negotiate loans to purchase employer securities for an ESOP at approximately 90 percent of the prime lending rate, say tax experts.

Under the new law, the 50-percent exclusion is available only when the ESOP owns more than 50 percent of each class of outstanding

Improve your Management Skills



with the 6-volume Executive Skills Set *for only* $4.95

as your introduction to **The Executive Program®**

You simply agree to buy three more books—at significant savings—within the next 12 months.

Time for Success. *A Goal-Getter's Strategy*

Alec Mackenzie. Take control of your time and start achieving your goals with these time management tips. Discover how to overcome procrastination and disorganization, learn the 4 steps to saying "no", deal with crisis management using a priority matrix, develop delegating skills, and take control of interruptions.
Publisher's price: $17.95

How to Run a Successful Meeting in Half the Time.

Milo O. Frank. Put an end to unproductive meetings by following practical techniques such as: getting decision makers on your side before the meeting, ending rambling debates by calling for a vote, bringing along an alarm clock to meetings, and cutting down lengthy introductions.
Publisher's price: $17.95

Negotiate to Win. *Gaining the Psychological Edge*

Alan N. Schoonmaker. Make everyone a winner in your day-to-day negotiations with fundamental strategies such as understanding your opponent's side — their offers, words, and actions—and analyzing your own style and how it impacts others. You'll be able to make your points convincing, nail down concessions, and make both sides feel they've won.
Publisher's price: $19.95

Get to the Point. *How to Say What You Mean and Get What You Want*

Karen Berg and Andrew Gilman. Overcome your fear of speaking with these anxiety-reducing techniques. From a 60-second meeting with your boss to a presentation to hundreds, you'll get hands-on tips that will help you build strong messages, create powerful visual images, analyze your audience's needs, and hold their attention.
Publisher's price: $15.95

Re: Writing. *Strategies and Suggestions for Improving Your Business Writing*

Maryann V. Piotrowski. Improve your memos, letters, and reports with advice from an authority on written communications. The author has taught writing at the Harvard Business School and serves as a communications consultant to Fortune 500 companies. Use her tips to overcome writer's block, organize your thoughts, and see the message through your reader's eyes.
Publisher's price: $19.95

What Every Manager Should Know About Financial Analysis.

Alan S. Donnahoe. Break through complicated formulas and accounting principles with this easy-to-follow guide for non-financial professionals. You'll learn to read a financial statement, build a budget, and understand return on investment and the cost of capital.
Publisher's price: $17.95

This special offer is your introduction to **The Executive Program,** a professional book club designed for the success-oriented business executive. During the past two decades we've helped thousands of men and women sharpen their skills in virtually every business area.

MEMBERSHIP BENEFITS• In addition to getting the Executive Skills Set for only $4.95 when you join, you keep saving substantially on the books you buy. • Also, you will immediately become eligible to participate in our Bonus Book Plan, with savings of 60% off the publishers' prices. • At 3-4 week intervals (15 times per year), you will receive the Executive Program News, describing the coming Main Selection and Alternate Selections, together with a dated reply card. • In addition, up to two times a year, you may receive offers of Special Selections which will be made available to a group of select members. • If you want the Main Selection, do nothing, and it will be sent to you automatically. • If you prefer another selection, or no book at all, simply indicate your choice on the card and return it by the date specified. • You will have at least 10 days to decide. If, because of late mail delivery of the News, you should receive a book you do not want, we guarantee return postage.

The Executive Program®
Delran, New Jersey 08075

Please accept my application for trial membership and send me the Executive Skills Set (00014) billing me only $4.95, plus shipping and handling. I agree to purchase at least three additional Selections or Alternates over the next 12 months. Savings range up to 30% and occasionally even more. My membership is cancelable any time after I buy these three additional books. A shipping and handling charge is added to all shipments.

No-Risk Guarantee: If I am not satisfied—for any reason—I may return the Executive Skills Set within 10 days. My membership will be canceled, and I will owe nothing.

Name _____

Name of Firm _____
(If you want subscription sent to your office)

Address _____ Apt. ____

City _____

State _____ Zip Code _____

(Books purchased for professional purposes may be a tax-deductible expense. Offer good in Continental U.S. and Canada only. Prices slightly higher in Canada.)

Nation's Business 3/90 3-DZ8

employer stock or 50 percent of the total value of all outstanding employer stock. The law also limits the interest exclusion by requiring that only qualified lenders hold the acquisition loan. The elimination of the 50-percent interest exclusion is generally effective for ESOP loans made after July 10, 1989.

The effect of such a change, says William Offutt, a partner with the Grant Thornton accounting firm, "is that a lot of companies that previously would have been able to take advantage of favorable ESOP financing will no longer be eligible to do so." One of the larger revenue raisers, the ESOP modifications are expected to bring in $1.1 billion in fiscal 1990.



PHOTO: ©ED CASTLE—FOLIO INC.

Acceleration *of deposits of payroll taxes owed to Uncle Sam could be burdensome for some firms.*

Depreciation

Congress tightened up on the depreciation deduction for cellular telephones. Under the change, business-related usage of the phones must exceed 50 percent of total use to qualify for a depreciation deduction. Because of this change, tax professionals say, business people should be sure to keep records on business use of the phones to support a claim for a deduction.

Relief Measures

Despite all the drawbacks, the new law is not without some benefits for business people. For example, it does include more than $400 million in tax relief from the corporate alternative minimum tax (AMT). The AMT is a parallel tax system set up to make it more difficult for businesses to avoid all tax liability by amassing enough deductions. A corporation is required to figure its taxes using the regular system at a top rate of 34 percent and again under the minimum-tax method, under which many deductions are either limited or not allowed, at a 20-percent rate. The firm pays the higher of the two figures.

Under the new law, key reforms expand the scope of the AMT credit and ease depreciation rules under the adjusted current earnings mechanism scheduled to take effect in 1990, says Byrle Abbin, a federal-taxation expert with the accounting firm Arthur Andersen & Co. in Washington.

The act also extends several provisions that were due to expire, including the research-and-development credit. The act modifies the provision slightly by dropping the requirement that only an existing trade or business can claim the credit. Under the new rules, the credit can be claimed even if it relates to a prospective business. "This is especially beneficial for start-up companies," says Ochsenschlager. "In the past, you had to be in business for a certain period of time before you could get the credit. But a company just getting on its feet is one that is probably doing the most research, and now it qualifies for the credit."

In an additional modification of the provision, the amount of any research-and-development deduction taken by the taxpayer must be reduced by 100 percent of the taxpayer's research credit, rather than the 50-percent reduction that was previously allowed. The credit is generally extended through Sept. 30, 1990.

The cellular-phone *depreciation deduction was tightened, so business use should be documented.*

PHOTO: ©GABE PALMER—THE STOCK MARKET



Social Security

The act includes an unexpected increase in the Social Security tax on top of one previously scheduled for individuals earning over $50,400 a year. The Senate-House conference committee slipped in the hike during the final hours of work on the measure. "This tax increase comes on top of an automatic Social Security tax hike already buried in the law," says Lawrence A. Hunter, deputy chief economist of the U.S. Chamber.

Based on existing law, the 1990 wage base on which Social Security taxes are levied was originally set at $50,400. An 11th-hour action by Congress raised it to $51,300, however. The hike will affect 8.5 million workers in 1990, and it could total up to $138 for each individual affected. The increase was accomplished by modifying the government's formula for calculating the wage base to include estimated annual deferred income received by employees from deferred-compensation programs. Employers and employees each pay a tax of 7.65 percent on the base.

Additional Changes

In other tax actions, Congress extended the health insurance premium deduction for self-employed individuals for nine months, until Sept. 30, 1990. Under this provision, self-employed persons may deduct up to 25 percent of health-insurance expenses for themselves and their dependents.

Unfinished Business

While most of the tax changes are relatively narrow in scope, a major consideration in the final analysis is what was excluded from the law, says Mary Smalligan, with the accounting firm of Deloitte & Touche in San Francisco.

Two measures of great importance to business people—and that were not included in the final version—are a reduction in the capital-gains tax and repeal of Section 2036(c) of the tax code. The latter proposal would have reinstated the use of the "estate freeze" as a way to help keep a family business in the family through succeeding generations.

While considerable opposition still exists in Congress to the two proposals, Burton is optimistic about the outlook. "There is a good chance that we will be able to achieve a capital-gains differential and repeal of Section 2036(c) in this Congress."

Both would be substantial legislative victories for the nation's business people. NB

We're spending a lot more time in the office lately.



Nine to five. Late nights. Weekends. Whenever there's work to be done, Smith Corona is there, because today Smith Corona means business.



We have an advanced line of easy-to-use office products that are perfect for any size business. Take the PWP 100C. It's a fully-featured word processor with 50,000 characters of internal memory, a built-in disk drive, an adjustable 24 line by 80 character screen and the option of the CoronaCalc™ Spread Sheet program.

Or choose the versatile PWP 5000. It offers the convenience of a detachable keyboard, in addition to all of its other state-of-the-art features.

The XD 7600 is truly remarkable. It's not only a sophisticated typewriter, it also has cursor keys and therefore true word processing capabilities.

The Smith Corona line of office products. They work long hours, do a great job and never ask for a raise.

SMITH CORONA®
TOMORROW'S TECHNOLOGY AT YOUR TOUCH™

For more information on these products, write to Smith Corona Corporation, 65 Locust Avenue, New Canaan, CT 06840 or Smith Corona Canada, 440 Tapscott Road, Scarborough, Ontario, Canada M1B 1Y4.

LEADERSHIP

Back Into The Shark Tank

Harvey Mackay, entrepreneur turned best-selling author, returns with another volume of practical wisdom.

By Michael Barrier

Harvey Mackay knows about the second-book jinx. He has been told often, he says, that "there's never been a second book to make it. So you can see the challenge." Repeatedly, when a business book has burst onto the best-seller lists, sales of the author's second effort have fallen below expectations.

Mackay's first book, *Swim With the Sharks Without Being Eaten Alive* (Morrow), came out in March 1988 and has sold more than 2 million copies worldwide. His second, *Beware the Naked Man Who Offers You His Shirt* (Morrow), was published in February. The best-seller lists will soon tell whether he has beaten the jinx.

Although he has a breezy, comfortable prose style, Mackay came late to writing; he has devoted his life to business instead, and for more than 30 years he has been an envelope manufacturer in Minneapolis.

As he acknowledges in *Swim With the Sharks*, Mackay is his company's "Mr. Outside"—he leaves day-to-day management in other hands. He travels extensively and makes a speech about once a week; his earnings from speaking last year were $1.4 million. But he has no intention of giving up his job as chairman and chief executive officer of Mackay Envelope to pursue public speaking as a full-time career. He thinks his credibility as a speaker is "dramatically enhanced" because he still has to meet a payroll.

Mackay has the self-confident bearing and impeccable dress of a polished salesman (and, at age 57, the trim physique that jogging seven miles a day can bring). Both of his books are, more than anything else, sales manuals, offering shrewd, pithy "lessons" clothed in anecdotes.

For instance, his new book includes, as Lesson 43, "There Is No Such Thing as a Routine Sales Call." He writes: "Before you make that sales call, think of something new to bring to the table. A new proposal, a new product, a new application for an existing product, a new place to go for lunch, a new book. . . . You have to reinvent yourself in some way each time you show up." And then comes the anecdote, about a salesman who reminds himself "of the need to be fresh" by writing "ASTONISH" on the card listing his sales calls for the week.

Mackay's "lessons" reach to circumstances far removed from the typical sales call—*Beware the Naked Man* even tells you how to choose a lawyer—but all are flavored by the salesperson's need to understand not just what he is selling, but also to whom he is selling it. *Swim With the Sharks* reproduces the "Mackay 66," a 66-part "customer profile" that Mackay's salespeople fill out by answering such questions as "If customer didn't attend college, is he/she sensitive about it?" and "Whom does customer seem anxious to impress?" Armed with such information, he writes, a salesperson can neutralize the "suspicion and cynicism" a buyer will bring to any encounter.

A few reviewers accused *Swim With the Sharks* itself of promoting cynicism; the book, they said, instructed salespeople in how they could feign a personal interest in potential buyers. Said one review: "This book is real sincere about how to fake it."

In an interview not long ago at his company's headquarters in an industrial area northeast of downtown Minneapolis, Mackay firmly rejected any such characterization of his book. He was seated at a conference table with a half dozen foreign editions of *Swim With the Sharks* spread in front of him; as quintessentially American as his book might seem, it has been translated into 16 foreign languages.

Mackay seemed genuinely puzzled by the idea that there could be conflict between a sincere interest in people—"I believe in one-on-one personal relationships," he said; "that's my whole

PHOTO: T. MICHAEL KEZA





When it comes to on-time delivery, they're overnight sensations.

They move over 20 million pounds of freight daily, serving more than 50,000 communities in 35 states and Eastern Canada. These are the CF companies specializing in next day delivery for regional shippers: Con-Way Western Express (CWX) in California, Arizona and Nevada; Con-Way Central Express (CCX) in the Midwestern States; Con-Way Eastern Express (CEX) throughout the Northeastern States and Eastern Canada; Con-Way Southern Express (CSE) in the Southeast; Con-Way Southwest Express (CSW) in Arkansas, Louisiana, Oklahoma and Texas.

Five regional carriers, serving five distinct geographical areas. Each is independent with its own identity, equipment and work force. And each builds on the established strengths of Con-Way Transportation Services, part of The CF Company. So you can depend on their financial stability, modern fleet and service centers, and advanced communications technology. All are dedicated to staying miles ahead in service by placing the customer's needs first, and delivering each shipment *on-time*, every time. Because there's only one sensation we want our customers to feel. Satisfaction.

CONSOLIDATED FREIGHTWAYS, INC.

The CF Company

MILES AHEAD

life"—and the kind of systematic information-gathering that the Mackay 66 exemplifies.

"If the sincerity isn't there," he asked, "how are you going to fake it over a long period of time? If you really don't care whether the person has a son or a daughter, and all you're doing is using it to get business ... you just have to care, and it does, finally, show through."

He put it another way in an article written two years ago for the *Harvard Business Review*: "I've had people ask me, 'Don't you feel like the FBI or the KGB, running dossiers on your customers?' I don't. The questionnaire is merely a system for organizing what the best executives and salespeople have done for a long time: Demonstrate exceptional understanding of their customers as people."

That "understanding"—or "chemistry," as Mackay likes to call it—can be especially important in an industry like envelopes. As Mackay readily admits, the industry is full of companies whose prices and products are a lot like his. "Yes," he says, "we've got a good product; yes, we've got a competitive price. But that isn't going to get the job done over the long haul."

Mackay got into envelopes more or less by accident. "I always had the dream of owning a factory," he says, "and I didn't care what it made. For some reason or another, I always wanted to have a factory, to walk up and down the aisles and have the workers smile at me."

Mackay constantly invokes the memory of his father, who was an Associated Press reporter in St. Paul, and it was through his father that Mackay got his first job—as an envelope salesman—after he graduated from the University of Minnesota. A few years later, Mackay began studying printing in night school, with the idea of buying a small printing plant. He had started negotiating with a few printers when he saw that an insolvent envelope company was for sale.

Mackay got a bank loan, and in November 1959, he bought the company, which had "a few envelope machines and, what, 15 employees—that was about it." Mackay didn't put his name on the company for three years: "I really didn't know if I could make it, and if I went Chapter 11, I didn't want my name on it."

In 1963, the newly renamed Mackay Envelope Corp. left its old location in what Mackay describes as "a red-light district" and moved into its present quarters. Mackay's books are studded with examples of how he built his company over the next 25 years, by exercising the persistence and attention to detail that he recommends to his readers. Mackay is stingy with figures, but by the time he wrote *Swim With the Sharks*, Mackay Envelope—still privately held—had more than 350 employees and annual sales of around $35 million.

As his business grew, Mackay became steadily more visible in Minneapolis' business community. His father pushed him to get into public speaking—a skill, Mackay says, that "you're using your entire life, whether it's one-on-one at a lemonade stand, or with a customer, or socially." He used that skill while leading community efforts like the one that resulted in construction of a domed sports stadium in Minneapolis.

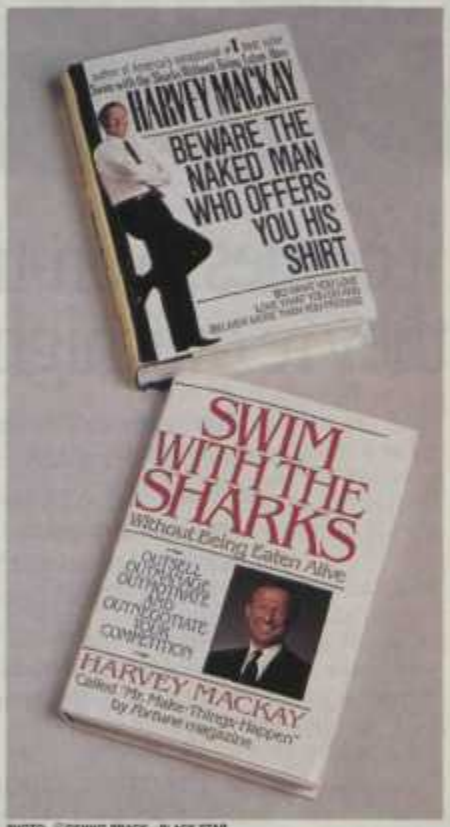


PHOTO: ©DENNIS BRACK—BLACK STAR

"I was brought up that one-fourth of my life should be devoted to the community," Mackay says, "and I believe it. That's how my father lived."

Mackay also started speaking "about marketing and building businesses and entrepreneurship"—the ingredients of his first book. Favorable word-of-mouth led to invitations to speak out of town. Kenneth Blanchard, the co-author of *The One Minute Manager*, heard Mackay speak and suggested that they write a book together.

Mackay says he explored the idea, but everyone he consulted told him, "Harvey, if you write the book with Ken, it'll always be his book." Mackay decided to go it alone. (Blanchard wasn't offended; he wrote a foreword for *Swim With the Sharks*.)

Like the practiced salesman he is, Mackay took control of the marketing of *Swim With the Sharks*, to an extent rare in publishing, especially for a first-time author. In the most striking departure from custom, he filled 15 pages in the front of the book with endorsements from 44 celebrities as varied as Mario Cuomo, Robert Redford, Gloria Steinem, and Billy Graham.

How did he get those people to read and recommend his book? "I had access," he says. "Some are very good friends, others are friends, a few are friends of friends."

Mackay used the endorsements as a "differentiator," a way of making his book stand out from the crowd: "I say, don't be boring, don't be predictable. I've gone on maybe 250 stops with salespeople not only from our company but from other companies. I can tell you that on 20 percent of those calls, I'd probably rather watch two guys fish. Boring! Predictable!"

Not even his harshest critics have applied such epithets to *Swim With the Sharks*. What those critics are saying about his new book probably matters even less than their complaints about his first. Like other best-selling authors, Mackay is now essentially critic-proof: The potential audience for *Beware the Naked Man* is composed largely of people who bought *Swim With the Sharks*, and only they know if they liked Mackay's first book enough to buy his second. There is one clue, though: *Sharks* included a money-back guarantee—another differentiator—and so far, Mackay says, fewer than two dozen people have taken him up on it.

It's unlikely that success for *Beware the Naked Man* will be any more satisfying for Mackay than a victory he describes in that book: persuading the National Football League to schedule the 1992 Super Bowl in Minneapolis' Metrodome. Mackay, who worked so hard to get the stadium built, worked hard again to lure the Super Bowl there, as a member of the city's Super Bowl task force.

Mackay is intensely interested in sports—he competed in the New York City Marathon a couple of years ago, and he plays competitive tennis—and he thinks that his enthusiasm for sports and his success in business have a "high correlation." He learned at an early age, "through my father," that success could be won "if you poured it on, if you prepared to win, and you just never truly gave up. That's the cornerstone of my life—preparation—and I learned that from sports." NB

Small-Business Computing

What's new and useful about an increasingly essential business tool.

MANAGING CASH

Budget Forecasting For The Rest Of Us

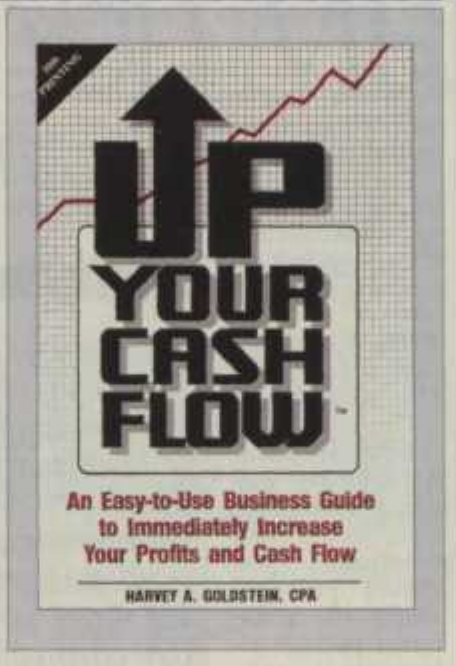
Most small-business people hate fooling with numbers, even though all of them know they should. Budgeting each year becomes haphazard at best, chaotic at worst. Now there is **Up Your Cash Flow**, a no-nonsense program that can give you a real reading of your cash position and budget.

Basically a series of spreadsheets, the program lets you fiddle all you want with projected expenses and sales, playing "what-if" games until the cows come home.

We're pretty leery of the term "easy to use" around here, but this program fits the bill.

You don't need a manual; a simple card tells you how to load it. If you've fooled with computers at all, you don't even need that. After you start the program, you simply follow the menus to fill in your current accounts status and your last year's figures. You can choose to project the new year's budget by any (or all) of several methods: an across-the-board percentage increase, divided evenly or proportionally according to your projected income; or figures of your choice.

Then Up Your Cash Flow calculates spreadsheets and forecasted budgets. The program includes the whole range of expense accounts, including a number of user-defined categories. It will figure loan amortization, payroll, depreciation, payroll taxes, interest expense—anything that is a factor in calculating your cash position.



Up Your Cash Flow includes a book with the same title, in which Harvey Goldstein, who put the program together, explains the budgeting process and urges you to take advantage of the control the program can give you. Up Your Cash Flow runs on an IBM PC or compatibles with DOS 2.0 or higher, 512K RAM and a hard disk, and comes on either 3 1/2-inch or 5 1/4-inch floppies. Price is $129, plus $5 shipping charge, from Granville Publications Software: 1-800-873-7789.

—Ripley Hotch

GOOD ADVICE

So You're Thinking Of Buying A System?

Two useful books for businesses that are looking at computerizing for the first time are *Using Computers in Business* and *How To Buy a Computer for Your Small Business*. They take different approaches and offer different amounts of information, but each fills a need.

How To Buy . . . is a free IBM booklet that the company calls "The Little Blue Book," and it is a product of the Home/Small Business group. The book includes an evaluation form (for cost justification) and a computer glossary. Available from IBM Small Business Programs, Mail Drop 823, 101 Paragon Drive, Montvale, N.J. 07645-9964. There's some attempt to sell you IBM PS/2 machines in the booklet, but it isn't pushy.

Using Computers in Business (Que Corp., $22.95, 458 pages; phone orders 1-800-428-5331, ext. ORDR) is a much more ambitious and thorough survey of what you need to know before you buy a computer. It tells you why you should (or should not) buy, what kinds of programs you'll need, how the hardware works, questions you should get answered before you buy, and how to install your system.

PERSONNEL

Write Your Own Policy Handbook

You can now add creation of a personnel policy to the many areas surrendering to PC technology. KnowledgePoint, of Petaluma, Calif., has written a software program called **Personnel Policy Expert**, which can automate much of the work of putting together an employee handbook.

Writing a handbook is a task that many smaller businesses often don't face until after they have lost a wrongful-discharge or similar lawsuit. In many companies, the task is put off because the firm isn't large enough to have a full-time personnel manager, and other executives are too pressed with the day-to-day requirements of running the business to devote time necessary to formulating and producing a personnel handbook. Yet in these litigious times, a clearly defined personnel policy and employee handbook can be crucial for making certain that all workers understand the corporate ground rules and realize they cannot win frivolous lawsuits.

Although Personnel Policy Expert is not a substitute for obtaining sound legal advice on complicated issues, it is a tool that can help a company turn out a clearly stated—and legally correct—employee handbook.

The $495 program is designed to be extremely easy to use. KnowledgePoint's president, Michael Troy, explains: "We designed [the program] so someone can install it and start writing a policy book in about an hour, often without the help of the user manual."

According to Troy, some of the nation's leading consultants and labor lawyers have contributed their expertise to the program's rule-based system. As a result of this collaboration, managers and executives often find that they not only can put together an employee handbook but also can understand why various elements should or should not be there. "The software covers everything from whether a no-smoking policy might be illegal to issues about overtime and paid vacations," says Troy. Consequently, he says, "It can help to provide necessary education on policy issues."

—Jon Pepper

STOP
Before you build, read this.



FREE

Be sure you consider all the options and avoid potential pitfalls when you build your next business facility. VP will send you free this valuable and comprehensive planning guide, "Building Methods Compared," including a special planning worksheet. To receive yours, just fill out the coupon below or call toll-free **1-800-238-3246.**

VARCO-PRUDEN BUILDINGS
AMCA INTERNATIONAL
Built On Superior Service

Free! "Building Methods Compared" including the planning worksheet
Mail to: Varco-Pruden Response Center
P. O. Box 3900
Peoria, IL 61614

COMPANY: _____

YOUR NAME: _____

TITLE: _____

ADDRESS: _____

CITY: _____

STATE: _____ ZIP: _____

PHONE: (____) _____

NB-3/90

Circle No. 9 on Reader Service Card.

ANSWERS

Sales-Oriented Software

We are a 14-year-old company and have a serious dilemma. We have an IBM PC and use an integrated accounting program that has been sufficient in the areas of inventory control, accounts receivable, accounts payable, and billing. However, we have grown and now have more than 115 independent sales representatives on the road selling approximately 326 items/styles of sport towels and accessories. As sales manager, I need to know sales figures, who is selling which items (and to which of our customers), and when these items are sold (to help production plan inventory control).

Can you help us find software compatible with what we are using or guide us toward something that will be much more sales-oriented?
Kathy Bower
Devant Ltd.
Monroe, N.C.

"If you are satisfied with the way your program handles accounting functions, you should probably simply add a different package altogether," says Marsha Lewin, president of Marsha D. Lewin Associates, a Los Angeles computer-consulting firm. "A marketing-information system is one possibility, or you may create one of your own in a relational database such as Paradox (from Borland International), RBase for DOS (Microrim), or dBase III+ (Ashton Tate). You would need to have someone on staff who would not mind fooling with the program a little. But you could pull off sales information from the accounting package and put it in the database to be looked at in whatever way you like."

Tracking such sales information is one of the most common uses of the relational databases, and since you are satisfied with your current package, it would avoid a difficult and expensive conversion.

In a few years, Lewin says, you may find you have outgrown this and will want to upgrade your whole system to a much more powerful computer and an integrated package that includes sales tracking.

A Question Of Compatibility

I am interested in learning whether the RightWriter grammar-checking software reviewed in your January issue will run on the Olivetti ETV 260 word processor that I use.
Kathy Bailey
Myrtle Werth Medical Center
Menomonie, Wis.

RightWriter will operate just fine on your Olivetti or any IBM or IBM-compatible computer with MS DOS version 2.0 or higher. The current version 3.1 includes both 3 1/2-inch and 5 1/4-inch program disks.

Small-Business Networking

We can find megabucks networks that can tie together personal computers at various remote sites, but our needs are more basic. We need to network up to six desktop PCs in the same location. We would like to use an AT-class machine as file server and run word-processing, spreadsheet, and other software from the individual PCs. What are a small business's networking options?
Robt. L. Herwarth
Albion Machine & Tool Co.
Albion, Mich.

After years of putting PCs on virtually every desk in sight, businesses of all sizes are now discovering that these independent workstations can be a lot more potent if they are connected through some sort of network.

After years of putting PCs on virtually every desk in sight, businesses of all sizes are now discovering that these independent workstations can be a lot more potent if they are connected through some sort of network.

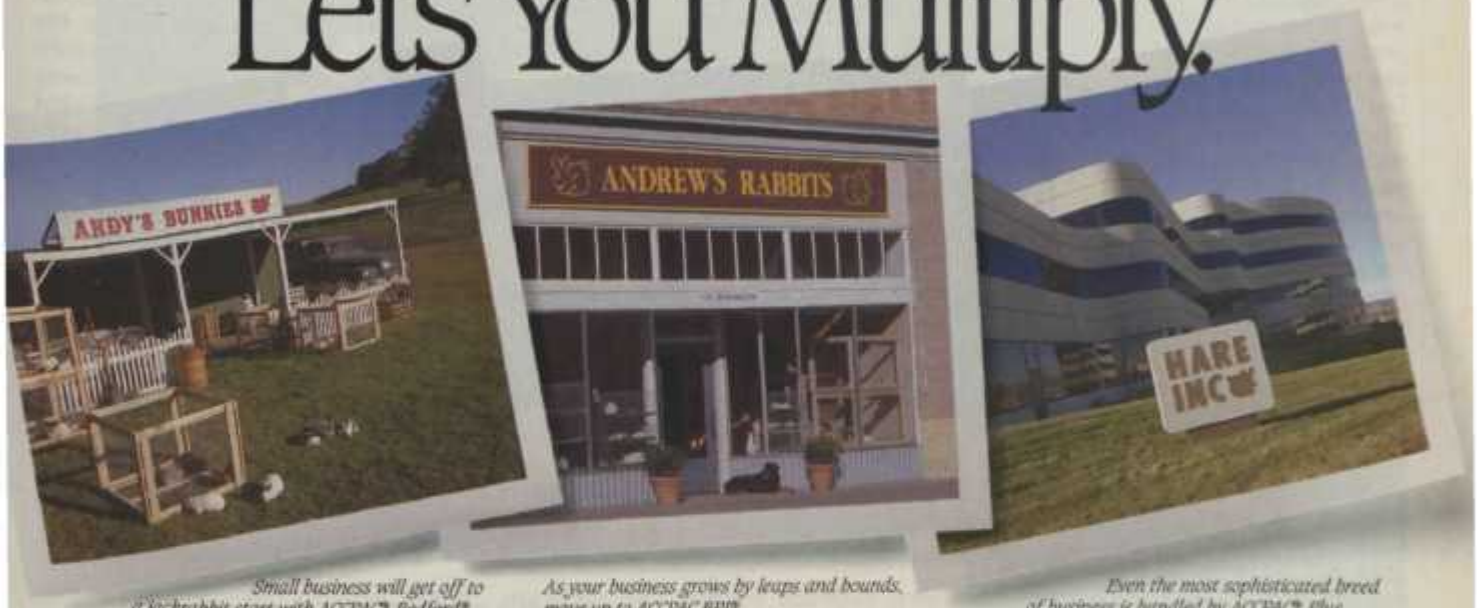
For bigger businesses, that often means a full-blown Local Area Network (LAN), which usually requires a full-time administrator and has high start-up costs. Those costs, however, can usually be successfully amortized over the large user base.

Naturally, however, many smaller companies such as yours want to get some or all of the benefits of being connected in a network without spending the concomitant dollars. If your business only has two or four or six PCs to connect, there must be an alternative to expensive LANs, right? The answer, as it turns out, is yes.

There are several low-cost LAN alternatives on the market, and, for the most part, low cost does not necessarily imply low functionality or low quality.

The least expensive solution is not to set up a network in the true sense of the word but to employ some sort of data switch, like **The Logical Connection** (Fifth Generation Systems Inc.,

Accounting Software So Sophisticated It Even Lets You Multiply.



Small business will get off to a jackrabbit start with ACCPAC® Bedford®

As your business grows by leaps and bounds, move up to ACCPAC BPI®

Even the most sophisticated breed of business is handled by ACCPAC® Plus.

The simple truth is, the business of business is to grow. The sad truth is, most accounting software can't handle that. Built-in obsolescence seems to be a standard feature.



Which is the most compelling reason to consider the ACCPAC® line. Because it is precisely that: a line. A smooth, efficient path for expansion. Allowing you to transfer data when you trade up.

The starting point is ACCPAC Bedford. Its quick set up and ease of use prompted *InfoWorld* to praise it as a "cut above" the competition.

As you grow, take your data with you and trade up to a 6-module workhorse: ACCPAC BPI Accounting. Fast and comprehensive, *PC World* calls it an "outstanding value."

Finally, our powerhouse ACCPAC Plus offers predesigned, off-the-shelf solutions for a wide variety of businesses. Rated "best in its class" by *InfoWorld*, Plus offers the ultimate in power and control.

One more thing.

Every ACCPAC product comes with a terrific feature the competition can't match: the support and stability of the world's leading independent software company.

To find out more, call 1-800-531-5236. In Canada, call 1-800-663-6904. We'll tell you more about ACCPAC and what it can do for your business. Namely, help it grow.

COMPUTER ASSOCIATES®
Software superior by design.

© 1989 Computer Associates International, Inc., 1240 McKay Dr., San Jose, CA 95131

Baton Rouge, La.). The Logical Connection is designed to provide printer and peripheral sharing among several computers. With eight input/output ports (four serial and four parallel), the compact box can connect several computers, printers, and serial devices (like a data modem).

Besides the hardware box, The Logical Connection includes software that monitors various connections, print jobs in progress, and so on. If you want to connect more computers and/or devices, you can tie more than one Logical Connection together. Though file-sharing software is not included, it is possible to share files among computers on The Logical Connection by using any number of popular programs designed for the purpose, like LapLink (Traveling Software, Bothell, Wash.).

Though it's not very sophisticated, if you really only need to share some printers and files, The Logical Connection is attractive by virtue of its price ($695 for a basic unit) and simplicity.

If you want more sophistication in your setup, then a low-cost LAN like **LANtastic** (Artisoft Inc., Tucson, Ariz.) is an extremely attractive choice.

LANtastic offers many of the features of more expensive LANs, including file and record locking, two-level security, file and program sharing, printing sharing, disk sharing, CD-ROM support, audit trails, and a lot more. However, it manages to do all this at a surprisingly small price.

Unlike many networks, which have justly deserved reputations as difficult to install, use, and manage, LANtastic is extremely easy to install, maintain, and work with. The product doesn't require a dedicated server—all PCs can function as servers and workstations.

A LANtastic starter kit, which includes the network operating system (NOS), two adapter cards to plug into your PC, cabling, terminators, and documentation, is only $525, with additional adapter cards priced at $249 each.

Another, somewhat more robust, possibility is a **10NET LAN** (Digital Communications Associates Inc., Dayton, Ohio). 10NET, like Lantastic, provides true peer-to-peer connection, which means that a dedicated server is unnecessary.

10NET can be cabled using inexpensive twisted pair wire, and includes software utilities for E-mail, daily calendars, print spooling, on-line conferencing, remote job submission, and network management. Another plus: The 10NET technology is also relatively easy to install and use, and it can be maintained by most small businesses without a dedicated network administrator.

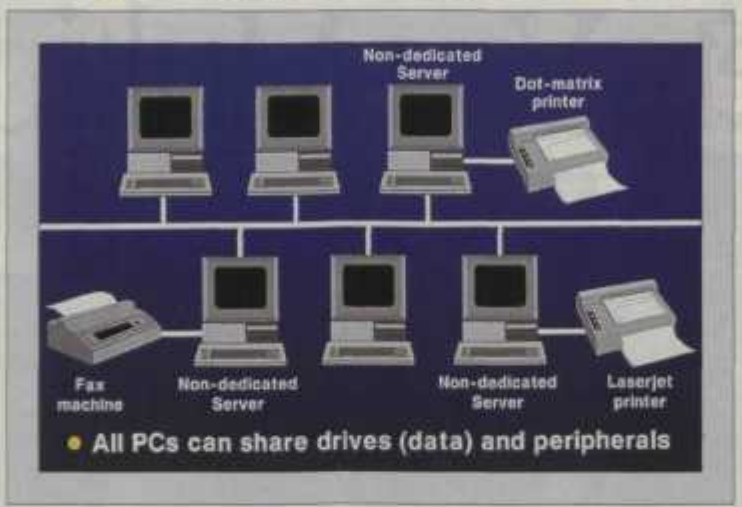
Cost for a four-user system is about $1,600, including all hardware and software. For users who already have their own network boards, the software alone is available for $199 per user.

10NET can also be effective in situations where users are located some distance from each other. When used with twisted pair media and repeater devices, connections up to 10,000 feet are possible.

Though a bit more expensive than LANtastic, 10NET offers more high-end hardware and software features, including sophisticated multilevel security and network control and administrative capabilities that rival those of much more expensive LANs. 10NET also has the added attraction of being part of the Digital Communications Associates family of connectivity products.

A company spokesman says that they plan to release a somewhat lower-cost LAN alternative this summer.

Remember to determine exactly what you require—from simple printer sharing to E-mail to full file sharing—and purchase accordingly. It isn't necessary to spend outrageous sums in order to connect your company's personal computers.



DCA 10NET LAN, *one of the simpler networks suitable for small businesses.*

The Perils Of Training

We are an accounting firm with a professional staff of 15 and support staff of eight. We recognize the need for professional expertise in the application of various software packages our clients use. In your opinion, what would be the most efficient way of training several of our professional staff members to gain such expertise?
Wayne L. Page, C.P.A.
Norwich, Conn.

First, you should decide how much in the way of resources you want to devote to this task.

How many software packages do you want to support? How much support are you going to give? Are you going to help your clients in using them, or are you just going to manipulate the raw data they send in? How much do you expect your people to learn? Will you expect all of those you train to know all of the programs? If so, you can expect a lot of frustration all-round. Your professional staff members are accountants first and may resent having to become computer experts.

The best advice we can give is that you limit the number of programs you want to support, and persuade new clients to use those programs.

Take a survey of your clients to discover the most popular ones, and stick with those.

For the training itself, set a budget both for time and money. You might want to use one trainer full time for a set period (say two or three months), who will train your staff in your offices at their convenience.

There are larger classes available, but they are generally in the most popular spreadsheet and word-processing programs. These will do well for your support staff, if you are planning for them to accept material from your clients in, say, WordPerfect, Lotus 1-2-3, Multimate, dBase, and so on.

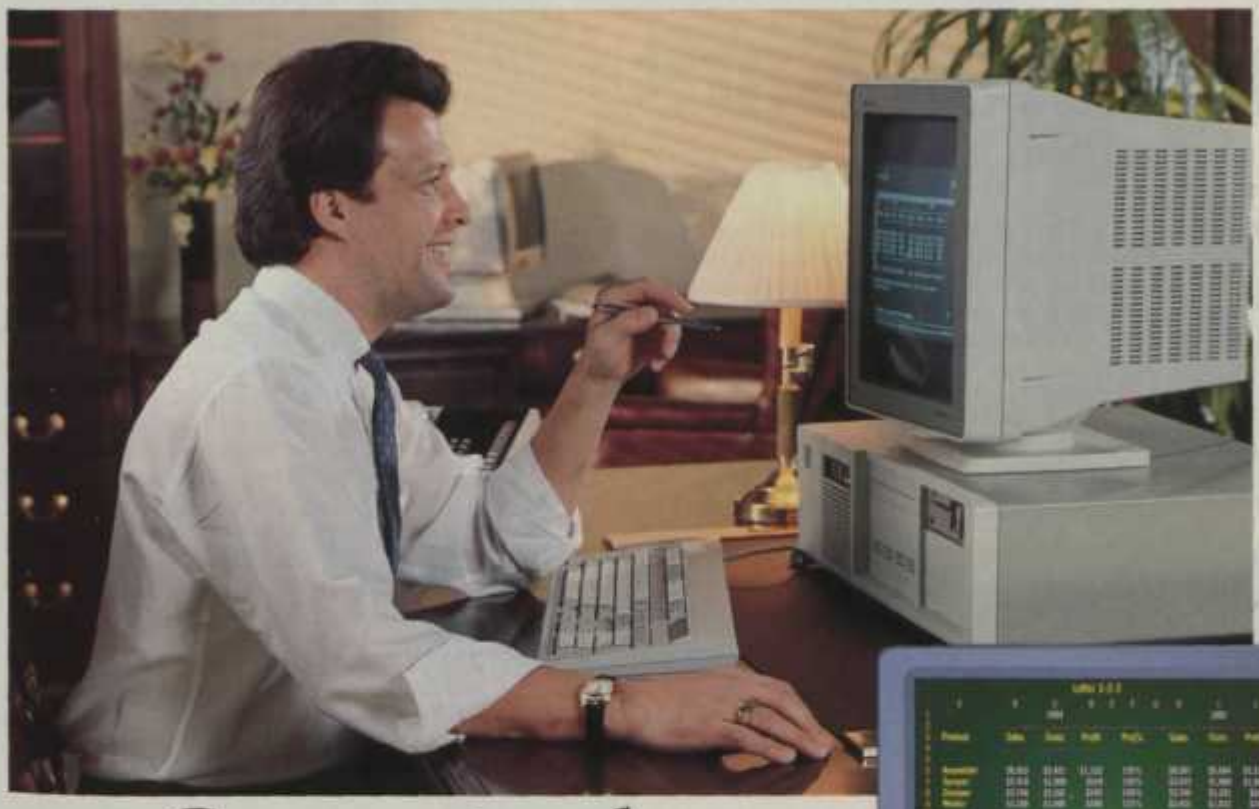
For accounting programs, you may wish to go the individual-trainer route. Here, you will do well to call the publishers of the software programs you have chosen, to ask for names of recommended trainers in your area. NB

HAVE A QUESTION?

We'll Try To Help

If you are stumped by a small-business computing question, we might be able to help. In this column, we will answer questions that we think will apply to a number of other business people. Send your questions to "Small-Business Computing," *Nation's Business,* 1615 H Street, N.W., Washington, D.C. 20062.

Learn Lotus® 1-2-3® in just 4 hours



Guaranteed

You know that Lotus 1-2-3 is the world's leading spreadsheet: it's *the* software busy executives need at their fingertips. But with your hectic schedule, you may not have taken time to learn Lotus yourself.

That's where MicroTutor® Tutorial Software comes in: this self-guided, disk-based Lotus 1-2-3 tutorial will make you a "spreadsheet performer" in just four hours. Guaranteed. With no hassle and at your own pace. During business hours or whenever you have the time.

Best of all, you'll learn Lotus for much less than the cost of a single class or seminar. Pass MicroTutor® on to staff members, too: they'll gain valuable skills to speed up analyses, projections and P & L statements. And in today's business climate, knowing Lotus 1-2-3 is one skill that gives you that "extra edge" at promotion time.

Try MicroTutor® Tutorial Software at no risk under the terms of our 30-day money-back guarantee, backed by the experience of National Education Corporation: the world's largest training company. Get on the fast track with MicroTutor® — and put Lotus 1-2-3 to work—painlessly—for you and your staff. Call or fax your order today.



MicroTutor's unique split-screen combines Lotus 1-2-3 at the top with your step-by-step instructions at the bottom.

National Learning Systems, Dept. PAHB30
925 Oak Street, Scranton, PA 18515

Call Now! **1-800-828-2917** Dept. PAHB30
(For FAX ordering, call 1-717-343-8172)

YES! Send MicroTutor to me ASAP. I understand I have 30 days to evaluate all programs and that my SATISFACTION IS 100% GUARANTEED.

Please check your selection(s) and total below. Check preferred disk size ☐5¼" ☐3½"

☐ LOTUS 1-2-3 $49.00

or choose from these other programs:

☐ WordPerfect® $49.00
☐ dBase III Plus™ $49.00
☐ Symphony® $49.00
☐ Understanding Spreadsheets $49.00
☐ The Computer: A Tool for Managers $49.00
☐ IBM PC DOS $49.00
☐ Understanding Databases $49.00

Total Selections @ $49.00 each = _____
Shipping and handling 2.00
PA & CA companies add 6% sales tax _____
Total $_____

Name _____
Title _____
Company Name _____
Address _____
City/State/Zip _____
Phone () _____
☐ Check Enclosed ☐ Purchase Order Enclosed
Charge to: ☐ MasterCard ☐ AMEX ☐ VISA
Card# _____ Expires _____
X _____
Signature All orders must be signed

Software names are trademarks or registered trademarks of their respective companies.
IBM® is a registered trademark of International Business Machines Corporation.

TAXES

Curbing Taxes On Business Cars

These tips will help you make the most of tax write-offs for the car you use in business.

The company car has been around longer than the Internal Revenue Code. So you would think that by now the rules governing write-offs for business cars would be clear-cut and easy to understand. Well, think again. While the rules for writing off business automobiles are complicated, awareness of some factors should see you through them.

Here is what you need to know.



PHOTO: ©PETER BECK—UNIPHOTO

The last car trip home *generally is commuting, not business, says the IRS.*

Keeping Records

Uncle Sam says that you must substantiate the business use of your car, and that means you must maintain adequate records. You are not off the hook if you use a car owned by your employer, either. These record-keeping rules apply regardless of whether you own the car or it is provided to you by your company. The best way: Keep a log handy to record your business miles, your destination, and the business purpose of your trip.

These records are not just for show. When you or your employer files annual tax returns, the IRS wants proof of your automobile expenses and usage.

It wants to see the number of miles you logged for business. It wants to know the total number of miles you drove. And if you are driving a company car, the IRS wants to know if your employer allows you to use the automobile to commute.

Finally—and most important—the IRS wants to know if you have support for your deduction. If the answer is yes, you are better off if your evidence is written.

Business Driving Defined

When it comes time to write off automobile expenses, here is the first question you must ask yourself:

"What percentage of my car's use may I attribute to business?"

The IRS defines *business use* as the miles you drive your car between two business locations—your office, say, and the office of a customer.

Commuting is never business use. It makes no difference what type of work you do, how far you travel to your office, or what crisis you are about to face.

A trip to work is personal and not deductible. And making a business phone call or holding a business meeting in your car while you drive will not change that fact.

Furthermore, commuting—in the eyes of the government—involves more than driving your car to and from your home to your place of business.

For an employee, the IRS defines *commuting* as the first trip in the morning and the last trip home. So if you drive from your home to a customer's office, you are—in the eyes of the IRS—commuting. And you are not entitled to classify the trip as business.

Tip: The law carves out an exception to the commuting rule for people who are self-employed and do business from a bona fide home office. These taxpayers may claim—as business mileage—trips to and from home.

Let's say you are a physician in private practice in Chicago, and you maintain an office on the first floor of your town house. You see patients in your office, but once a day you drive 12 miles to a local hospital to make your rounds. Under the rules, you may claim as business mileage the 12 miles to the hospital—and the 12 miles back—even though you are driving to and from your home. The reason is, your home is also your office.

Business Use Of A Personal Car

When you deduct car expenses, you have two choices: You may claim a flat amount for each business mile you drive—known as the *standard rate*—or you may write off the actual costs of operating your automobile. Here is how the two methods work.

Using the standard rate. The standard mileage rate for 1989 equals 25.5 cents a mile for the first 15,000 miles of business travel in a year and 11 cents a mile for mileage that tops 15,000. [For 1990, the standard mileage rate is 26 cents a mile for all business travel, not just the first 15,000 miles.]

There is one catch, though: For 1989, you may not use the standard 25.5-cents-a-mile deduction on cars that you have fully depreciated—that is, cars you have driven for more than 60,000 business miles.

For these automobiles, you may claim only 11 cents a mile.

Caution: Sometimes you are not allowed to use the standard mileage rate and must write off actual expenses. The two instances: when you lease your car and when you have claimed accelerated depreciation on your car in a previous year.

Actual Expenses. In most cases, your actual expenses will exceed the standard mileage deduction. So you should opt to write off actual costs.

A portion of all of the following expenses is deductible (the percentage you write off equals the percentage of



A Reminder Of How Many Things Are Built Around A Strong Center.

Just as things in nature expand and grow from the center, business expands naturally from Missouri.

We're the geographic and population center of the country. At the crossroads of ten interstate highways, the second and third largest rail terminals in the country, and the second largest inland waterway.

Add to that one of the top ranked manufacturing climates in America, and you begin to see why companies like Hallmark Cards, Anheuser-Busch and 350 other Fortune 500 companies have located in Missouri.

If you're a manufacturer, write or call us toll-free today. You'll find that when it comes to business, Missouri's the natural choice.

The Missouri Advantage™

Name _____

Company/Title _____

Address _____

City _____ State _____ Zip _____

1-800-523-1434

Mail to: The Missouri Advantage, P.O. Box 118, Jefferson City, MO 65102 8307-NB1

©1989 Missouri Department of Economic Development

Circle No. 3 on Reader Service Card.

your car's mileage that you attribute to business):

- Automobile-club memberships.
- Batteries.
- Driver's license.
- Gasoline and oil.
- Insurance.
- Lubrication and repairs.
- Registration and other licensing fees.
- Supplies, such as antifreeze.
- Temporary rentals.
- Washing and waxing.

You also may write off tires with a life of less than one year. (You should depreciate tires that last longer and are purchased separately from the car.)

But you may not deduct on your personal return the cost of parking your car at or near your office. However, if your company provides you with parking, the value of this fringe benefit is not taxable to you. So your employer does not report it as income on your Form W-2.

Nor may you fully deduct interest on a car loan if you are an employee—even if you buy the car strictly for business. This interest is considered personal interest, which, thanks to tax reform, is only 20-percent deductible in 1989 and 10-percent deductible in 1990. After 1990, personal interest is not deductible at all.

You also may depreciate your car in the same way you depreciate other personal property you use for business. If you are buying a car that will be used for business, you calculate your depreciation deduction based on the total purchase price of your car.

If you are converting your family car into a business automobile, then you base depreciation deductions on the lower of the fair market value at the date you convert or its purchase price. In either case, you must multiply the depreciation amount times the percentage of your actual business use. But note that a special cap applies to cars.

The law limits depreciation deductions for business cars purchased after Dec. 31, 1986, and before Jan. 1, 1989, to $2,560 in the first year, $4,100 in the second year, $2,450 in the third year, and $1,475 in all remaining years. For cars bought after Dec. 31, 1988, the depreciation limits are $2,660 in the first year, $4,200 in the second year, $2,550 in the third year, and $1,475 in all remaining years.

Here is an example. On Jan. 15, 1988, you purchased an automobile for $19,000. You start driving it—or, in IRS lingo, "place it in service"—that same day. In 1988 and 1989 you use the car for business 70 percent of the time. So your depreciation deductions for 1988 and 1989 are $1,792 (the $2,560 limitation times your 70-percent business use) and $2,870 (the $4,100 limitation times 70 percent).

Another wrinkle: If business use of your car falls below 50 percent, you must go back to the first year you depreciated the car and recompute your depreciation using the straight-line method. The difference is picked up in your current return as income.

You are not permitted to use the more favorable accelerated depreciation. And the limits on these deductions apply regardless of which depreciation method you use.

Also, the sales tax you pay is not currently deductible. You may, however, add this cost to the purchase price of your car when it comes time to calculate your depreciation deduction.

Caution: If you take the standard mileage deduction in year 1, then write off actual costs in year 2, you must depreciate the car using the straight-line method—that is, you write off the same amount each year.

Uncle Sam says that you must substantiate the business use of your car with adequate records. These record-keeping rules apply whether you own the car or your company provides it.

But if you deduct your actual costs from the start, you may depreciate your car using the accelerated method—that is, you write off more in the early years of ownership.

Tip: Whether you write off your actual automobile expenses or claim the standard mileage rate, you may still deduct parking fees and tolls you pay when you travel for business. But you may not write off fines for violating traffic and parking laws.

Special Rules For Leasing

When Congress voted to cap depreciation deductions for business automobiles, it also imposed tough new restrictions on cars that you lease. And these rules apply whether you are an employer or employee.

The law still allows you to deduct that portion of your lease payment that is attributable to business.

For example, if you use your leased car 90 percent for business, you may write off 90 percent of your payment.

But here is the rub. The law wants to put people who lease business automobiles on an equal footing, tax-wise, with those who purchase their business autos outright. So if you lease, the law requires you to add to your taxable income or reduce your deduction. You determine the amount each year by using tables and formulas provided by the IRS. The lower a car's business use, the smaller the adjustment.

You do the second calculation only if your car was leased before Dec. 31, 1986. Even then, you do the calculation only once in your car's lifetime—when your business use falls below 50 percent.

Questions And Answers

Business use of my car added up to 70 percent last year. But this year my business use will fall to about 45 percent. Are there any tax consequences?

Unfortunately, if your business use falls below 50 percent, you have to "recapture" some of the depreciation deductions you claimed in the previous year.

Say you purchased a car in 1989 for $19,000, and you depreciated the car using the accelerated method, which allows you to claim larger write-offs in the early years of ownership. In 1990, however, your business use falls to 45 percent. The law says you must redepreciate the car using the straight-line method. With the straight-line method, you claim the same amount of depreciation each year you own the car.

This change in depreciation methods results in a lowering of your depreciation deduction for last year. So you must add to your taxable income in the current year the difference between your deductions under the straight-line and accelerated methods.

If I use the actual-cost method, what is the best way to keep the data in one place?

Many people jot down mileage in a small pocket notebook, then attach expense receipts to the pages with paper clips. You may also purchase a mileage log. Most mileage logs include a place to list these expenses so that you can find them easily when you summarize your tax data. **NB**

Excerpted from the book Price Waterhouse Personal Tax Adviser 1989-1990, *by Price Waterhouse and Donna S. Carpenter.* *Copyright © 1989 by Price Waterhouse and Donna S. Carpenter. Published by Prentice Hall Trade, General Reference Books, a Division of Simon & Schuster Inc.*

FRANCHISING

Franchising Into The '90s

By seizing opportunities at every turn, franchising has achieved phenomenal growth and set the course for more prosperity.

By Nancy Croft Baker

Before Jack Lentz decided to franchise his San Diego-based postal and packaging service in 1986, he did his homework—thoroughly. He studied his competitors, pinpointing what he felt made them successful. In addition, he looked at what he viewed as weaknesses that he thought he could avoid with his own business.

Lentz also studied the climate of franchising and learned what types of potential franchisees to target with his marketing efforts. He determined that the people most likely to prosper with his franchise would be retired management executives as well as women in their 40s with working spouses.

Jack Lentz is typical of many franchisors of the 1980s, and his franchise, PostalAnnex +, illustrates how the face of franchising has changed over the past 10 years and will continue to change and grow through the 1990s. Perhaps more than any other method of marketing, franchising has reflected the demographic changes in society, as well as the prosperous economic climate of recent years.

"Franchising has become more sophisticated over the last decade," says William Cherkasky, president of the International Franchise Association (IFA). "It has become more service-oriented, which has allowed many more people to own their own businesses. We've seen a lot more multiple-unit ownership, more international franchising, and more franchises purchased by investors. Women and minorities in particular have become the fastest-growing group of franchise owners in the 1980s."

The trend of increased women and minority ownership of franchises is expected to continue into the '90s, and several other growth patterns for franchising throughout the decade are already emerging. Among the franchises that seem sure to prosper in the coming years are those that offer services for time-pressed and convenience-minded consumers. Those services will range from nutritionally beneficial fast food to home health care for the elderly. (For details on some of franchising's trends for the 1990s, see the articles on Pages 66 and 69.)

To discern franchising's coming trends, it is helpful to look back at the directions that worked for franchisors during the phenomenal growth years of the 1980s. In those years, retail sales generated by franchises accounted for over one-third of all U.S. retail sales, and in the '90s, the IFA says, franchising's share of retail sales will increase even more—to 50 percent.

Reasons for this growth include the increasing numbers of two-earner families and their rising levels of disposable income, a host of technological advances such as videocassette recorders for home use, heightened demand for services, and the widespread perception that entrepreneurship is in vogue.

For franchising in the 1980s, the key word was convenience. Among the most successful franchises have been those that offered services or products to help baby boomers save time and make their lives easier or more fulfilling, according to Les Rager, a franchise consultant in Roswell, Ga. "Day-care centers, automotive maintenance, residential cleaning operations, and video rental are prime examples of service businesses that have done extremely well as franchises," Rager says.

"The '80s saw a transformation from mostly retail franchises, such as retail clothing outlets and fast food, to service franchises," Rager says. "Any franchises that could spot demographic trends and tailor their services to meet those changing needs were always the ones to succeed."

The service industry of the '80s also spawned a new type of franchisor—one who didn't necessarily have experience in the service or product he was buying into, but who had the business savvy to provide the right services to customers and ongoing training for franchisees.

Jack Lentz, for example, had never been involved in a packaging or postal business, but as a retired title-insurance executive, he had the business know-how to act on demographic trends and serve customers' needs. For instance, he decided not to locate his franchise units in less expensive, out-of-the way strip centers. "In today's society, you've got to make it easy for working people to run their errands on the way home from work," he says. "We locate PostalAn-

PHOTO: ©ROCKY THIES



Jack Lentz *did his homework thoroughly for PostalAnnex +.*

nex + in shopping centers with a major grocery store and drugstore, so it's convenient for people to take care of their errands with one stop." Lentz also requires franchisees to keep extended business hours—from 7 a.m. to 7:30 p.m. "Most of our competitors close at 5 or 5:30 p.m.," he explains. "By the time people get off work, it's too late to mail their packages."

The interior design of PostalAnnex + also sends a message to customers that the franchisee knows that their time is valuable, Lentz says. For example, PostalAnnex + has no rope barriers to form waiting lines. "People hate to stand in line; they just don't have time," he says. "We've trained employees to wait on several customers at a time." Attention to such details, as well as slow, planned growth, has set Lentz on the road to success. Since 1986, Lentz reports, 65 PostalAnnex + units have been opened, and rights to 22 others—most of them in California—have been sold.

Consumers' concerns about time and convenience spurred the growth of maid services. Residential cleaning firms—from carpet and ceiling cleaning to window washing to housecleaning—are truly products of the late '80s, says Rager. "The industry was there before, but it has really boomed in recent years."

The trend of increased women and minority ownership of franchises is expected to continue into the '90s.

As women in increasing numbers entered the full-time work force in the '80s, they found maid services to be no longer a luxury but a necessity. "Maids have been around a long time, but in years past, most middle-class women wouldn't admit that they had a maid," says Dan Bishop, who founded Maids International in Omaha, Neb., in 1979. "Women of the '80s, on the other hand, are starting to get over their guilt feelings about having to hire someone to do their housework. They don't need the extra stress of doing housework at the end of a busy day at the office."

Although franchised and independent maid services have proliferated in the past 10 years, many did not last long, says Rager. According to Bishop, most maid-service businesses have a life span of only 18 months. "They can't stay in business because they don't have the business know-how to grow properly, and they don't clean efficiently," he says.

After studying his competition, Bishop found that housecleaning chores in addition to dusting and vacuuming—tasks such as cleaning the refrigerator and oven, which a homeowner might put off—require about three hours. A maid service, on the other hand, covers the surface cleaning that a homeowner might do every week, Bishop says, and it takes an average of 50 minutes. "Most residential cleaning companies do both, and as a result they lose time and money," says Bishop. "That's why they go out of business."

The residential-cleaning franchises that have seen the most growth are those that have perfected their own cleaning methods and cleansers. Maids International franchises maintain a computerized file of each client's specifications and house layout. Knowing that a particular client keeps a dog in the laundry room and has three trash cans in the garage, for example, can help the maids work more efficiently. Bishop sends a team of four maids to each client's house.

The Maids International franchisee also is typical of the type of franchise buyer who emerged during the '80s—the investor who wants to operate multiple units. This businesslike approach,

"Our franchisees are exceeding their best projections." —Gary Salomon, President American Fastsigns, Inc.

Produce top-quality signs in a clean, comfortable retail setting... with the most thorough training and support in the industry!

- ***$90K plus working capital***
- ***SBA financing w/$40K cash***

Join the fastest-growing sign franchise in the U.S.—call for limited exclusive territories available in your area!



Highly visible, accessible retail sites and one-day service contribute to the remarkable success of FASTSIGNS franchisees.

1-800-827-7446

FASTSIGNS®

The One Day Sign & Lettering Experts™

Circle No. 6 on Reader Service Card.

we've built **Careers**— now you can build *yours!*

with one of the fastest-growing most growth- and profit-oriented companies in the business of **TEMPORARY & PERMANENT PERSONNEL SERVICES**

Careers USA®

PUTTING PEOPLE TO WORK

comprehensive training • on-site home office support • temp payroll & billing processing advertising & recruiting assistance • exclusive management computer system

FRANCHISES AVAILABLE NATIONWIDE

MINIMUM CASH REQUIRED: $15,000

FOR FURTHER INFORMATION, CALL 1-800-822-8300

Circle No. 33 on Reader Service Card.

says Bishop, is largely responsible for Maids International's growth in a competitive market; it has 230 franchise units in the U.S. and Canada.

Perhaps more than any other method of marketing, franchising has reflected demographic changes in society.

The automotive aftermarket also acquired a shiny new image in the 1980s. No longer did having a tuneup give rise to images of spending several hours in a gas station waiting room. Franchises such as Baltimore-based Jiffy Lube and Sterling, Va.-based Precision Tune, which pride themselves on clean and comfortable waiting rooms, quickly became the choices of many car owners. More important than clean waiting rooms, however, auto-maintenance franchises appeared to offer another benefit—mechanics trained to take care of performance problems in cars of the '80s.

Many gas-station mechanics, for example, simply lack the tools and training to work on today's complex, computerized cars, says Don Ervin, chairman and CEO of Precision Tune. And though repair bills were rising, he says, most consumers were dissatisfied with the car service they were receiving.

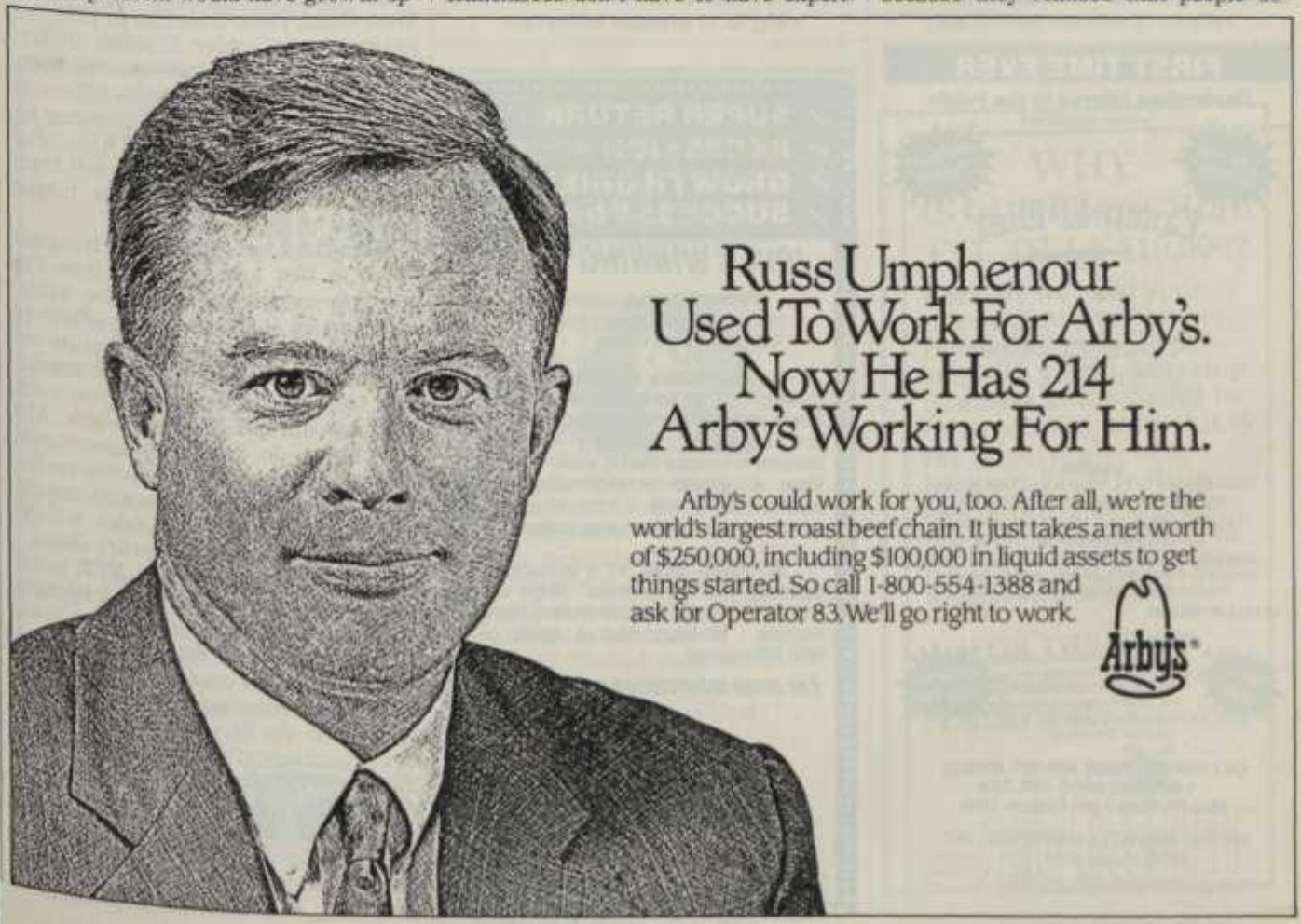
Ervin, a former banking executive, decided early in the '80s that an auto-maintenance franchise that could remedy this problem would have growth opportunities. "You have to respect the needs of the consumer and provide for those needs," says Ervin. "According to demographic studies, consumers are much more educated, have substantial dollars to spend, and are not easily fooled. They want service done right the first time and don't have time to wait for their cars to be fixed."

Spotting this trend early, Ervin broadened Precision Tune's services. Its technicians now can provide services such as engine, ignition, computer, emission, and air-conditioning diagnosis, repair, and replacement. Its variety of quick services is cited as a reason that Precision Tune has gained a leading position among auto-maintenance franchises, with more than 500 units nationwide.

Like those for Maids International and PostalAnnex+, Precision Tune's franchisees don't have to have experience in their particular service area to run a successful operation. "Any sophisticated business investor can do well in this business," says Ervin. Absentee ownership is not encouraged, however. "You can no longer succeed by just marketing a quality image and price," he says. "You've got to be well rounded. To deal with rising consumer expectations, you have to be involved in the business."

Rising consumer expectations and technological sophistication also fueled the highly competitive video market of the 1980s. Though the VCR was practically unheard of early in the decade, by 1989 video rental had become a $10-billion industry; 70 percent of all American homes had at least one VCR, and 25 percent had two or more. According to the Video Software Dealers Association, Americans rent 125 million movies a week.

During the VCR boom years of 1984 to 1987, everyone wanted to be in the video-rental business. "Anybody with a retail outlet, from gas stations to convenience stores to drugstores, thought, 'Why not add video rental?' " says Richard Abt, executive vice president of Philadelphia-based West Coast Video. "But in the last 18 months, most have gotten out of that end of the business, because they realized that people de-



Circle No. 30 on Reader Service Card.

Maaco..is on the MOVE!

MAACO, *the nation's leading auto painting franchise is seeking individuals who:*

- *Can Make Decisions*
- *Want To Own Their Own Business*
- *Are Willing To Invest In Themselves*

For more information about this great opportunity call or write today. No prior automotive experience necessary. Minimum cash requirement $65,000.

Maaco Enterprises, Inc.
381 Brooks Road
King of Prussia, PA 19406
Attn: Franchise Dept.

1-800-521-6282

Circle No. 79 on Reader Service Card.

WHY NOT THE BEST?

Jani-King

OVER 1,400 FRANCHISES

- Largest janitorial franchisor according to Entrepreneur
- Low Investment — $6,500 to $14,000
- Secure Cleaning Industry
- National Image
- Full Training
- Continuous Support
- Master Franchises Available

Jani-King International, Inc.
4950 Keller Springs, Suite 190
Dallas, Texas 75248

(800) 552-5264 Outside Texas
(800) 533-9406 Inside Texas
(902) 468-3156 Canada

IFA MEMBER

©JANI-KING 1989

Circle No. 27 on Reader Service Card.

FIRST TIME EVER

Dealerships Offered to the Public (where available)

LIMITED OFFER

GROUND FLOOR

Comp-U-Diet



WANTED:
Dealers throughout the U.S. to help us service over 150 million overweight Americans who need our affordable plan.

If accepted, your cost is only $4850. Your profit potential: $1200 a week & up.

Comp-U-Diet is a revolutionary new diet plan of the 90's that is sweeping the country. People select the foods they like and our computers create a personalized plan for your clients.

NO PILLS-NO POWDERS NOT MULTI-LEVEL

There Is:
- no selling or customer contact
- no billing or collecting
- NO EXPERIENCE necessary (we provide complete training and support, and do all of the computer processing!)

Don't Wait

Territories Going Fast

CALL NOW FOR FREE MAIL-OUT BOOKLET:
1-800-942-9900 ext. 229
Mon-Fri 9 am-5 pm Eastern Time

UNITED AMERICAN MARKETING, INC.
27280 Haggerty Rd., C-14
Farmington Hills, MI 48331

Circle No. 67 on Reader Service Card.

✓ SUPER RETURN
✓ RECESSION PROOF
✓ GROWTH ORIENTED
✓ SUCCESS FORMULA

JOIN A WINNING TEAM

Palmer Video has experienced phenomenal growth with over 100 locations in eight states.

We've successfully established a rapidly growing chain of franchised Video Super-Stores based on sound operating principles and aggressive marketing concepts designed to increase market share. **Palmer Video** will provide technical/management expertise, along with a state of the art operating system, with ongoing support.

Join **Palmer Video**, we're dedicated to increasing your market share. Single and multi-store licenses available in many major markets. Minimum cash & equity of $200,000 required.

For more information call or write:

PALMER VIDEO STORES

1767 Morris Ave., Union NJ 07083
1-800-288-3456 (201) 686-3030

Circle No. 47 on Reader Service Card.

mand bigger and bigger selections, lots of new releases, and better service."

Such demands gave birth to video superstores such as West Coast. Elliot Stone, who founded West Coast Video five years ago, developed a store that would have an average of 4,500 square feet and house more than 6,000 video cassettes. Today's West Coast Video franchises stock up to 8,000 cassettes.

The emergence of the video superstore changed the face of video franchising in the 1980s, as larger competitors vied for market share against smaller independents. Many mom and pop operations that simply couldn't stock as wide a selection as the larger franchises either went out of business or were acquired by competitors. And like many one-product franchises in a competitive market, video-rental stores began to look toward auxiliary products for additional revenue. "In addition to videos, every West Coast Video store sells accessories, such as VCRs, televisions, snacks, soft drinks, even compact discs," says Abt. "The industry increasingly is headed in that direction."

Video franchise start-up costs also increased in the '80s, forcing many smaller franchises out of business. Start-up costs for a West Coast Video franchise in 1985, for example, were under $100,000. Today, initial costs exceed $300,000. "In 1989, we had to retarget our sales efforts to corporate franchisees and investors instead of individuals," says Abt. "For half a year, it was difficult to sell franchises, because our previous target could no longer afford it."

West Coast, which acquired National Video in 1987 and has more than 775 company-owned and franchise units, also stepped up its marketing efforts to customers. Grand openings feature celebrity appearances and a joint promotion with cooperating companies, such as Coca-Cola and Domino's Pizza. Abt says he expects even more promotional hoopla as the larger video chains vie for customers and territory in a saturated market. "The growth of video will be much more modest in the years ahead," he says. "You can't expect VCR penetration to expand by leaps and bounds. Within the industry, you will see a lot of consolidation of chains as three or four leaders take over the market."

Although entering a glutted market typically is the kiss of death for some new franchises, it was just the opposite for the Great American Cookie Co. of Atlanta. The general belief among franchise experts is that to achieve the saturation and recognition of McDonald's, a franchise must be the first to enter a

Continued on Page 67

Start your own business for ***just $495***
Be your own boss

Make up to 300% profit every time you perform this valuable service!

Become a part of the 84th fastest growing, privately held company in America (*Inc. Magazine, 12/88*) and provide a much-needed service that is more in demand today than ever before!

Bring our scholarship/financial aid matching service to the attention of students and their parents through a number of proven methods.

✓ **work full time or part time**

✓ **work from home**

✓ **establish a successful business with a minimal investment**

See if you qualify.
For more details and no obligation

CALL TOLL FREE
1-800-USA-1221

Academic Guidance Services, Inc.
15000R Commerce Parkway
Mt. Laurel, NJ 08054

Circle No. 8 on Reader Service Card.



Is The American Entrepreneur Running Out Of Frontier?

The wild and wooly days of "anything goes" are gone—forever. A successful franchise today has to be more systemized because competition is so keen.

With over 3,200 restaurants featuring a diverse menu, Hardee's has emerged as the nation's third largest fast food hamburger chain, based on sales. Why? One of our new franchisees put it best: 'Hardee's has experienced management, an affordable cost of entry, a good franchising philosophy and the opportunity to expand."

The Hardee's "frontier" still includes some of America's hottest growth markets. Qualified domestic and international investors with a net worth of approximately $500,000 (excluding primary personal residence) with a minimum of $150,000 in liquid assets are encouraged to request further information.

To request more information, call toll-free *1-800-346-2243*, or write to Hardee's Food Systems, Inc., Franchise Sales, 1233 Hardee's Blvd., Rocky Mount, NC 27804-2815.

This advertisement does not constitute an offer of a franchise; an offer can only be made by the delivery of an Offering Circular to a prospective franchisee.

Available markets are shown in shaded areas



Hardee's

© 1990, Hardee's Food Systems, Inc.

Circle No. 7 on Reader Service Card.

"I netted $60,000 in less than 90 days working just one morning each week

. . . and then I bought the company! I'm Nancy Freeman, President of Property Valuation Consultants, Inc., based in Joliet, Ill. We help owners of commercial, industrial and select residential real estate lower their property taxes. We do it for a percentage of the savings and have an incredible 92% success rate."



Research shows that over 60% of all real estate is assessed at too high a value, but less than 2% of assessments are ever challenged. However, 4 out of 5 of those that *are* appealed result in hefty tax reductions.

PVC has an 11-year track record and a proven, copyrighted system. Each case can net $2,500 or much more, and the services of an appraiser or attorney are usually not necessary. A six-figure income is easily within reach, and with a 95% renewal rate the residual income can be substantial.

With PVC's training and guidance, you can provide this much sought after service in your own area. An investment of $10,000 or so is required, and a background in real estate is not necessary. For a full-color packet of literature, contact:

Rick Neiswonger, Exec. V. P.
PVC Marketing Systems
Dept. NB
12033 Gailcrest, St. Louis, MO 63131
800/782-1050

© 1986 PVC Marketing Systems

WHY IS OUR FRANCHISE FEE ONLY $10,000?

Because we need your talents, not your money. If you are a people person with good leadership qualities and a desire to be successful, then this is the opportunity of a lifetime. Beverly Hills, one of the fastest growing weight loss clinics in America, still has prime locations available.

FOR THE REST OF THE STORY CALL: 1-800-476-6996

BEVERLY HILLS
Weight Loss Clinics

Your best resource

FRANCHISES UNLIMITED

DIRECTORY OF FRANCHISE OPPORTUNITIES FEATURING:

- advice from experts
- up-to-date contacts
- categorized listings
- bold headings
- easy-to-read type
- money back guarantee

$26.00

($22.95 plus $3.05 postage & handling)

EXCEL PROGRESSIVE PUBLICATIONS

1925 Pine Ave., Niagara Falls, N.Y. 14301
Tel. (716) 285-5611 Fax (416) 682-6066

Write, call or fax today

Circle No. 29 on Reader Service Card.

Capitalize on a healthy franchise operation!

The need for supplemental nurses has skyrocketed over the past decade and the future looks even brighter! As the demand for health care grows, medical facilities find they can save significantly on personnel costs with temporary nurses—and home-care patients can cut medical expenses in half! And Nursefinders has grown from 2 locations in 1974, to more than 130 locations in 38 states today! Our proven operating system, solid franchise training and support, and commitment to quality make us one of the health care industry's fastest-growing franchises—and lucrative markets are still available. For more information, call:

Nursefinders
The Professional Choice
Director of Franchise Sales
1200 Copeland Road, Suite 200
Arlington, Texas 76011
Or call, toll-free, 1-800-445-0459

Circle No. 68 on Reader Service Card.

A Snapshot Of The 1990s

By Meg Whittemore

Eighty-seven percent of all franchise businesses are retail firms, according to Aaron Shingler of Shingler-Hollis Investment Group Inc., in Lanham, Md. "The same economic, demographic, and consumer climates that affect the big retail giants will have an equal impact on the franchising segment of business," he says.

Retailers are still recovering from the sometimes-unfriendly takeovers, leveraged buyouts, mergers, and acquisitions of the past decade, Shingler says. "They barely have time to catch their breath before facing the challenges of the '90s, namely shrinking labor pools, customer indifference, and competition from the discount stores and catalogers."



Franchise-feasibility *counselors Barbara Hollis and Aaron Shingler.*

Franchisors whose products are sold through retail establishments will feel the repercussions as the retail giants search for ways to increase sales. Shingler and cofounder Barbara Hollis counsel franchisors and potential franchisees on the feasibility of franchising a product or service.

The strongest influences foreseen for retailing—and thus for franchising, say experts such as Shingler—will be exerted by the baby boomers, the 50-plus population, women, and minorities.

To help franchisors and franchisees anticipate rapid changes in retailing, Shingler and Hollis offer a snapshot of the trends in the '90s and the kinds of franchises that will fare best:

- Look for major shifts in the composition of the work force. By the year 2000, 80 percent of women aged 25 to 54 will be in the labor force, and minorities will account for one-fourth of the labor force. Moreover, the number of men and women age 55 or older in the work force will increase dramatically.

These shifts are expected to result in more franchises being owned and run by women, minorities, and people over 55. Additionally, the U.S. Census Bureau shows that men and women over 55 control 50 percent of the nation's discretionary income, and that percentage will increase. This means the fastest-growing segment of the population will have the most money to spend on franchises and the products they offer.

- There will be a continued push to reduce health costs of all types, and more families will care for their aging parents at home. Thus franchises offering at-home health care, supplies, and equipment will flourish; likewise those businesses involved in senior day care and at-home sitting services will be strong.
- American families will spend an average of $2,000 a year on meals outside the home as longer working hours for parents practically eliminate the traditional evening meal.

In addition, interest in nutritional foods will surge, though consumers still will regard convenience and quality as more important. The impact of this trend is expected to be felt especially among fast-food drive-through franchises; they are likely to downsize their facilities, reduce their menu offerings and include some so-called health foods, and lower their product prices to appeal to the family on the go.

Other businesses that should prosper during this trend are child-care and child learning centers, and businesses that deliver cooked meals to homes.

- Spanish will become the prevailing second language in many parts of the country, and thus franchisors will continue to find ways to serve the Hispanic markets and will have more Hispanic franchisees.

In addition, the presence of the Japanese in global markets is expected to continue expanding, with the result that more franchise companies will be owned by the Japanese.

- The incomes of baby boomers, especially professionals, will continue to grow, yet they will hold onto their homes and automobiles longer. Thus there is expected to be more discretionary income available for the "feel good" purchases such as vacations, jewelry, and perfumes.

Home-improvement franchises should prosper also, according to forecasts, and the number of specialized automobile aftermarket franchises is expected to increase.

Continued from Page 64

market and have strong support services and cutting-edge research and development. However, Michael Coles, Great American Cookie's co-founder and chairman, says that scoring on only two of those three requirements was enough to make his franchise succeed.

Coles admits that he might not have entered the fresh-cookie business if he had thoroughly researched the market. "Our lack of knowledge about the cookie industry allowed us to be more daring," he says. Interestingly, what made

Mark Your Calendar

The Pennsylvania Minority Business Development Authority, in conjunction with the Shingler-Hollis Investment Group Inc., offers the following seminars on how to find and buy a franchise:

April 13, Harrisburg: Minority Franchise Opportunities Forum.
May 7, Philadelphia: Introduction to Franchising for Minorities.
May 15, Erie: Minority Franchise Opportunities Forum.

For more information, contact Aaron Shingler, Shingler-Hollis Investment Group, 9418 Annapolis Road, Suite 200, Lanham, Md. 20706; (301) 577-6750.

The International Franchise Association's 1990 World of Franchising Expos are open to the public. They feature exhibits by 100 various franchises, and they offer participants educational seminars on buying a franchise.

Following are the scheduled dates and locations of the IFA Expos:

March 17-18, Cincinnati.
April 7-8, Boston.
May 5-6, Philadelphia.
May 19-20, Detroit.
Aug. 11-12, San Francisco.
Sept. 8-9, Chicago.
Sept. 29-30, Denver.
Oct. 27-28, Atlanta.

For further information on the expos, write to the International Franchise Association, 1350 New York Ave., N.W., Suite 900, Washington, D.C. 20005-4709.

Tomorrow's Hot Franchise... Today's Fresh Opportunity.

Get in on the lucrative, expanding, high-tech field of one-day signs! In today's world of "I need it now," your business can produce everything from retail signs to special lettering, and meet the demands of commercial clients—all within one day—in a shop we support from day one.

- No Experience Necessary
- Complete Hands-On Training
- Total Site Selection Support, Including Negotiation, Preparation & Store Design
- Total, On-Going Marketing & Corporate/Franchise Networking Support
- Capital Required: $38,100-$87,750 Equipment Leasing Available

SIGNS NOW®
THE ORIGINAL ONE DAY HI-TECH SIGN CO.
Call 800-356-3373 (In Alabama, 205-660-0895)

Circle No. 43 on Reader Service Card.

Franchise Investment

Harvard Graduates Agree...

John McKearney, Joe Culhane and Paul Tuhus are all Harvard Graduates who left high-pay, high-pressure corporate jobs to own one of our franchises. But you don't have to be from Harvard to recognize a great opportunity.



AlphaGraphics franchise owners benefit from the most extensive R&D program and support system in the industry. Over 285 locations worldwide utilize lasers, computers, presses, electronic duplicators and an exclusive satellite network. The result, the highest average sales figures in the industry - a full 235% of the industry median.



A comparison of the average monthly sales of AlphaGraphics locations to all other quick print franchises over one year old. Source: U.S. Dept. of Commerce, Franchising in the Economy, 1986-1988, and AlphaGraphics Uniform Franchise Offering Circular, 1986-1989.

If you want to take control of your future, call today for free franchise information.

1-800-528-4885.
In Canada & Arizona, 602-293-9200.
Minimum cash: $54,000 on investment of $260,000.

alphaGraphics®
Printshops Of The Future

3760 N. Commerce Drive
Tucson, Arizona 85705

Circle No. 25 on Reader Service Card.

FASTFRAME
expert picture framing

Franchise of the Year!

Join the exciting world of art with a growing company recently named *"Franchise of the Year."* Fastframe has streamlined a traditional service and has become the largest dedicated chain of custom picture framing stores in the world! With 180 branches on 3 continents, our success is directly attributed to a unique proven and rewarding program.

Single store locations and regional multi-store development opportunities currently available to qualified candidates. Broker participation welcome.

CALL:

(800) 521-3726
or
(818) 707-1166

Circle No. 23 on Reader Service Card.

his company so successful was not the founders' knowledge of cookies but Coles' knowledge of the high-fashion industry. "In high fashion, you have to stay on top all the time; you have to outsmart your competition," says Coles, who operated menswear retail companies before starting the cookie company. "In retail clothing, your competition is not only other clothing stores but also record stores, automobiles—anything a consumer will spend money on to feel good—and it's the same in the cookie business," he says. "We compete for customers' dollars." Taking that approach, Coles views shopping-mall record stores, for example, as bigger competitors than other cookie franchises such as Mrs. Fields or David's Cookies.



PHOTO: ©DAVID MURRAY JR.—STOCK SOUTH

High fashion *helped Great American Cookie's Michael Coles.*

Constant product development and savvy merchandising have been key to Great American Cookie's annual sales, which have reached $100 million. "From the beginning, we have thought of ourselves not as bakers but as retailers," says Coles. "If we had thought of ourselves as bakers, we probably would have failed." The challenge, he says, has been to continually gauge consumers' changing tastes and to improve the product to suit more demanding palates.

Keeping in touch with customers also has guided Great American's marketing expansion. Coles says one competing cookie maker lost touch with customers, compromised his soft-cookie consistency in order to wholesale his product to distant stores, and discovered that consumers don't like hard chocolate chip cookies. Another rival lost market share when it didn't price its cookies according to their perceived value. Says Coles: "Our cookies are now twice as expensive as when we started. People will pay more as long as the quality and perceived value are there."

Following the franchise-development strategies of some of the bigger franchise operations, Coles decided to focus franchise sales on investors rather than "moms and pops." He says: "We would never survive as a mom and pop franchise. We went after strong business people who wanted multiple stores, who would be committed to expanding their operations. Although individual owners can make a good living selling cookies, we weren't after people who would be satisfied just making a livable wage."

Not being satisfied with the status quo, says Coles, has turned around the whole image of franchising. The most evident manifestation of this overall dissatisfaction with the state of franchising was the enactment in the late 1970s of the federal disclosure law for franchisors. Coles calls the law "the greatest thing that ever happened in franchising over the last decade." He adds: "Making franchising credible helped create more franchising opportunities for everyone. And although franchising is still not a guarantee for success, it certainly minimizes the chances for failure."

Nancy Croft Baker is a communications executive for an economic-policy organization in Washington, D.C.

We're ready to let a few more franchisees cut in on the action.



We are accepting a limited number of applications to join the Little Caesars® family. Little Caesars is the largest carry out pizza chain in the world. Our famous "Pizza!Pizza!®" is just one ingredient in our winning formula. To find out how you can become a franchisee call:

1-800-447-1544

Little Caesars®
JOIN A WINNING FAMILY

This advertisement is not an offering. An offering can be made only by a current franchise offering circular.
©1989 Little Caesar Enterprises, Inc.

Circle No. 17 on Reader Service Card.

Start Your Own Business And Build Equity With A Leader

Get out of the grind. Be your own boss in one of the fastest growing industries in the world. **Mail Boxes Etc.**™ is the leader of the franchised postal, business & communication services industry – our international network is ***five times*** the size of the competition and is ranked as one of the ***top 200 best small companies*** in the U.S. by *Forbes* Magazine.* We offer:

- **Site selection & lease negotiation**
- **Start up assistance**
- **Weeks of training before you start**
- **National & local marketing support**

Cash in on our dynamic growth and build equity in your own achievements. Prime areas are available throughout the U.S.

Invest in yourself. Call today for free franchise information.

Toll-Free! **1-800-456-0414**

Postal, Business and Communication Services
MAIL BOXES ETC.

5555 Oberlin Dr. • San Diego • CA • 92121
Offering by prospectus only

*Forbes Magazine, November 13, 1989 ©1990 Mail Boxes Etc.

Circle No. 53 on Reader Service Card.

Franchising's Growth Patterns

By Meg Whittemore

When McDonald's opened its doors in Pushkin Square in Moscow this past January, the fast-food giant pointed in a direction that franchising will take during the 1990s. Franchisors firmly rooted in U.S. soil will aggressively seek foreign markets. They will also restructure their facilities and products at home to better serve customers on the go, and increasingly turn toward minorities, women, and older workers to fill labor needs. "Franchising has been transformed from an alternative method of doing business to a central part of the national and international economy," says Arthur Karp, chairman of the International Franchise Association, in Washington, D.C.



PHOTO: © JOHN R. FULTON JR.

Cleaning services *expect to grow, as does Jim Cavanaugh's Jani-King.*

Though franchising in the '90s may not post the "phenomenal growth" it achieved in the 1980s, this distinctly American form of doing business will have a "steady growth pattern" in the years ahead, according to a study conducted by the accounting firm of Laventhol & Horwath and by the International Franchise Association.

The survey shows that the five fastest-growing categories of franchising will be educational products and services, cleaning services, business aids, fast food, and equipment-rental services.

For example, as building owners examine the costs of keeping cleaning crews on the payroll, they are likely to turn to outside maintenance companies, says Jim Cavanaugh, who founded the Dallas-based Jani-King commercial cleaning franchise in 1969. He expects to exceed his current expansion rate of 400 units annually and to sell master franchises in Mexico, Europe, Australia, and the Far East.

Other franchises seeking to grow in the '90s, such as Canadian-based T.G. Quickly's, are banking on Americans' preferences for convenience, healthier foods, and time-saving products and services. The franchise, which is headquartered in Scarborough, Ontario, offers home-delivered barbecued chicken and is planning a major push into northern U.S. markets this year.

Business aids and services are forecast to continue providing strong, long-term growth for franchisors. For example, Voice Enterprises, a Hudson, Ohio, franchise offering voice-messaging services to businesses, plans to have every national franchise linked in a digital network eventually so that a subscriber's local voice-message phone number may be accessed from remote locations.

Voice messaging soon will be as commonplace as paging devices are today, says the firm's chairman, Alan Carter.

Consumer preferences and needs change. So do nations' political structures. As the 1990s get under way, franchising remains poised to capitalize on the shifting economic, social, demographic, and international changes that appear on the horizon.

AAMCO Franchise Opportunities Available NOW!

AAMCO, world's largest chain of transmission specialists, offers exciting franchise opportunities in markets throughout the US and Canada... right now!

No matter what your background, our proven business system helps you build success and independence in a business of your own.

- ✓ New and established Centers available
- ✓ No mechanical experience needed
- ✓ Training provided
- ✓ Minimal cash investment
- ✓ Powerful advertising available

Join an organization that's Number One in its field. Join AAMCO. For more information, call Don Limbert now:

(800) 523-0402

In PA, call collect: (215) 668-2900

or write:
Franchise Opportunities
AAMCO Transmissions, Inc.
One Presidential Boulevard
Bala Cynwyd, PA 19004

AAMCO TRANSMISSIONS

Circle No. 5 on Reader Service Card.

OWN YOUR OWN RETAIL APPAREL OR SHOE STORE

Reap The Rewards Of Your Own Efforts



WE OFFER YOU

A PROVEN AND PROFITABLE BUSINESS OPPORTUNITY
OVER 2000 FIRST QUALITY NATIONAL NAME BRANDS

Gain the advantages of business ownership. You can open a store of your own in as little as 15 days...Your choice of store size and merchandise. All the profits are yours. We help you attain success and independence in the fashion field.

We have sold over 3000 stores nationwide. Our "blueprint" for success has been working since 1977. It can work for you too.

Investment packages range from $19,900 to $29,900. You receive beginning inventory, fixtures *(Redwood, Firwood, Brass or Chrome)*, in-store training or at our National Training Center, airfare for inventory selection, location assistance, bookkeeping system, grand opening, continuous assistance and more.

The choice is yours. In addition to our fashion packages for **infant/preteen, ladies, mens or mens big and tall shop, large sizes, petite, jean/sportswear, dancewear/aerobic, bridal shop, accessories, lingerie store, sock shop add color analysis.** We also offer a **multi-tier pricing discount or family shoe store,** with first quality shoes at unbelievable discount prices. Also **multi-tier discount ladies, mens and children's apparel stores.**

The first step is up to you.

STEPHEN C. LOUGHLIN
(612) 888-6555

High Country Fashions, Inc.
Since 1977

America's Largest & Oldest Store Opening Service

Circle No. 56 on Reader Service Card.

IF YOU'VE EVER WONDERED WHETHER YOU SHOULD BUY A FRANCHISE,

THIS NEW VIDEOTAPE IS FOR YOU!



HEAR DIRECTLY FROM THE EXPERTS:

- How franchising works
- Who should buy a franchise
- How to choose the right franchise
- Biggest opportunities
- What to ask the franchisor
- What to ask your lawyer
- What to ask your accountant
- How to evaluate the offerings
- Where to find financing
- What lenders want to know
- How franchisors evaluate you
- Pitfalls to avoid
- How to get off to a quick start

And much, much more!

HERE ARE JUST SOME OF THE 30 FRANCHISE EXPERTS WHO SHARE THEIR INSIGHTS!

Ron Berger, President, National Video
William Cherkasky, President, International Franchise Association
Carolyn James, Franchise Owner, 7-Eleven
Ripley Hotch, Deputy Editor, Nation's Business
Andrew Kosteca, Franchise Specialist, U.S. Department of Commerce
William Rosenberg, Founder, Dunkin' Donuts of America
John H. Simonds, Small Businss Administration
John Tifford, Program Adv. Franchising, Federal Trade Commission
Lisa Webster, Franchise Owner, Pearle Vision Center
Robert Windley, Franchise Owner, Entre Computers

IT TOOK YEARS TO GET THE DEFINITIVE ANSWERS FROM:

- The U.S. Department of Commerce
- The International Franchise Association
- The most successful franchisors
- Successful franchisees
- Lawyers
- Accountants
- The Federal Trade Commission
- The Small Business Administration
- Educators
- Bankers
- Top consultants in Franchising

and put it all together in a 58-minute videotape. Save yourself the agony of a wrong decision that could lose your life savings. Buy *Franchising: How To be in Business For Yourself — Not by Yourself* at the incredibly low price of $49.95. It will be the most important decision about franchising you will ever make.

FRANCHISING — How To Be in Business for Yourself — Not by Yourself

All orders must be prepaid. Make checks payable to Nation's Business. California and D.C. Residents, add sales tax.

☐ Check enclosed.
☐ Bill my credit card: ☐ VISA ☐ MC

Card No. _____ Exp Date _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

FOR FASTER SERV
CALL TOLL-FREE
1-800-547-9797.

VHS $49.95 _____

Beta $49.95 _____

Sales Tax _____

Postage & Handling each $3.95 _____

TOTAL $ _____

NATION'S BUSINESS
ANCILLARY PRODUCTS DIV.
1615 H Street, NW,
Washington, D.C. 20062

NB0390

Circle No. 108 on Reader Service Card.

Family Business

A time to learn, a time to pull back, a time to take charge, a time to make commitments—all for the family.

LEARNING

Getting The Most From Seminars

By Sharon Nelton

As our monthly family-business calendar suggests, you can attend any of dozens of family-business conferences across the country in a given year.

But should you? What good are they?

I've been an observer at so many of these meetings that one family-business consultant has referred to me as a "family business seminar groupie." And so I am. But it has given me a handle on what such conferences are like and what they can do for a family in business.



PHOTO: TING CHIAO

Every meeting I have attended has, in fact, had something worthwhile to offer—from new perspectives on old dilemmas to the improvement of such skills as communicating and leadership training.

And if the meetings are long enough, say two days or more, these conferences offer an invaluable opportunity: They allow family members to discuss touchy issues in a "safe" environment—that is, one where there are trained professionals to help them really understand one another and avoid the usual family patterns that may lead to anger and frustration.

As with most other things in life, you get out of a family-business conference what you put into it. I think you will get the most out of a conference if you abide by a few recommendations:

- Set objectives, and choose conferences according to the objectives you've set. If you want to gain specific information, such as facts about estate planning, a short local conference might do just fine. But if you want the family to do some real work looking at family and business goals and getting a start on making decisions about the transition of ownership and leadership, then you need the time and the sense of retreat provided by a longer conference away from home.
- Take as many family members as you can. You don't want to talk only to yourself. One of the best things about a family-business conference—maybe *the* best thing—is the communication it can stimulate among family members.
- If the conference you attend lets you sign up for time alone with one of the "faculty" members, do it. At national conferences, faculty members are often top-notch professionals. This is a real opportunity to get personal attention, and it comes with the cost of the conference.

Attending a family-business conference won't provide instant resolutions of deeply rooted problems. But it can provide a start on finding solutions. I have seen an 80-year-old father and a 50-year-old son finally begin to make plans for the father's withdrawal from the business; three brothers-in-law begin to address, however nervously, the issue of power sharing that was gnawing away at them; and a founder acknowledge, perhaps for the first time, that his wife was the "glue" that held the family and the business together.

Many families find that they return to family-business conferences to bring additional family members or to get fresh motivation to work on long-range processes, such as succession.

Some people just like the stimulation that is offered and the encouragement to explore their feelings and their desires for their businesses and their families.

In other words, like me, some business families become family business seminar groupies, too.

Sharon Nelton, Nation's Business special correspondent, writes about family firms.

PLANNING

How Much Is Too Much Family?

By John L. Ward and Craig E. Aronoff

A new customer walks into a company we'll call Heckler Inc. and asks the receptionist, "May I speak to Mr. Heckler, please?" Her reply: "Paul Sr., Paul Jr., or Karl?"

While waiting for the appropriate Heckler to appear, the visitor notices the reception area's nautical theme, sailing magazines, and pictures of various Heckler family members accepting sailing trophies.

Later, as the customer is meeting with Paul Jr., a phone rings. Paul answers it. "My wife," he explains. "Personal line. Give me just a minute."

Family ownership offers businesses powerful strategic and cultural advantages. For example, family pride in the business strengthens commitment to quality and to survival. Another advantage of family ownership is the ability to take a longer-term view.

But too much "family culture" harms the business. Employees who feel like "members of a family" are highly energized. But good employees may stay away or leave if they perceive that non-family members are not fairly rewarded or promoted. Other employees lose focus and motivation after regularly seeing family members compromising business effort with personal matters.

How do you know when a family business becomes too much family and not enough business? Here are symptoms of the too-much-family syndrome:

Too much family and personal business on company time. Yes, you have paid your dues. You spent years as a slave to your business, and too often you subordinated personal and family needs to the business's needs. You are now comfortable in your belief that what's good for you is good for the business and vice versa. But how do your actions look to customers, employees, and even to your children who are now in the business? What lessons do they learn from your behavior?

Too many family members in all the important jobs. For large families

Mark Your Calendar

March 15-17, Waco, Texas

"Balancing Family and Business," a conference covering such topics as business turnaround, when to sell the family firm, and sibling rivalry. Write or call the Center for Entrepreneurship, Baylor University, Waco, Texas 76798; (817) 755-2265.

April 17-20, Corvallis, Ore.

"Managing Your Family-Owned Business," a seminar featuring *Nation's Business* columnists John L. Ward and Craig E. Aronoff. Contact the Family Business Program, College of Business, Oregon State University, Bexell Hall 205, Corvallis, Ore. 97331-2603; (503) 754-3326.

May 4-6, Cassopolis, Mich.

"The Family Business Experience," a program for CEOs, presidents, and family members. Contact the Center for Entrepreneurial Management, 180 Varick St., Penthouse, New York, N.Y. 10014-4606; (212) 633-0060.

May 14-20, Poipu, Kauai, Hawaii

Travel/Round Table program for couples in business, sponsored by the National Association of Entrepreneurial Couples and *Nation's Business*. Contact NAEC at P.O. Box 3238, Eugene, Ore. 97403; (503) 344-1566.

May 29-June 1, Philadelphia

"Chief Executive and Senior Officers of Family-Held Businesses," a seminar for owners and managers of family firms. Contact the Division of Family Business Studies, Sol C. Snider Entrepreneurial Center, The Wharton School, University of Pennsylvania, 426 Vance Hall, 3733 Spruce St., Philadelphia, Pa. 19104; (215) 898-4470.

with small companies, this may be the only choice. If you can afford it, consider the rule of thumb of no more than one family member per three to five important jobs. Otherwise, good people see no chance for personal growth and professional development.

Too much of private-life interests in business decor. Sailing, golf, or flying may be intensely fulfilling family passions. But step back and imagine how much your personal hobbies may overwhelm the appearance of your business—and the messages sent when pastimes dominate the firm's decor.

Too much commingling of personal expenses and business funds. Such habits have tremendous impact on business discipline and seriousness of purpose. When business funds are used for personal reasons, you become reluctant to share company financial information with key people. Trust and motivation suffer.



ILLUSTRATION: JIM STARR

Too much formality in communications. Sometimes we find family businesses that seek to put too much formality between family members and the nonfamily employees. This communication style creates an unintended "us-against-them" atmosphere. Your communications with your employees should be no more formal than those of other firms of your size in your area.

Too much family conversation among family members. Taking interest in others' personal lives at work is a positive sign in many ways. But if you don't have time to show equivalent interest in all employees, you are probably spending too much business time on the family.

We urge business owners to inject as many of their personal values as possible into the business. Be mindful, however, of the distinction between your personal values and your personal life or interests. Some families impose too little of the former and too much of the latter.

We have learned some important lessons from some very successful family-business owners:

- Conduct personal business away from the office when possible. Many owners stay at a "home office" part of the day to address their personal interests.
- Understate personal rewards and perquisites of ownership. Discretion has its advantages.
- Compare your company with other well-run businesses you know. How do people do things, how do they communicate, and how do things appear?
- Encourage family members to lead by example. Business behavior is determined more by how the founder's offspring behave than by any other factor.
- Be sure that the family members in the business get together every week or two to chat informally about their personal interests and lives as well as how they see things at work. These get-togethers are best held away from the office and outside regular business hours.

We've also learned lessons from not-so-successful family businesses. One was being acquired by a national concern, and the second-generation owner protested that the purchase offer was far too low. The potential buyer candidly replied: "Your family has milked this business for years. If you had been more concerned about your business and less concerned about yourself and your family's desires, you wouldn't need me here today."

Unfortunately, the primary reasons for the company's poor financial performance included family lifestyle, sibling conflict, unprofessional behavior by family members promoted beyond their abilities, and flagrant intrusion of personal life into the business.

Being family-owned can bring much to the business, its financial health, and its employees. But remember that, for better or worse, what the family does and thinks *is* the business. And "too much family" is too much.


PHOTO: T. MICHAEL KEZA

John L. Ward is the Ralph Marotta professor of private enterprise at Loyola University of Chicago. Craig E. Aronoff holds the Chair of Private Enterprise at Kennesaw State College, in Marietta, Ga. Both are family business consultants.

You're Only 45 Minutes Away From Success.



Executive Seminars in Sound can help you improve your management skills—and your bottom line—fast. Eight audio cassettes deliver practical, proven techniques that you can implement right away.

The 45-minute tapes cover:

1. How To Get Your Ideas Across
2. Your Role as a Decision Maker
3. Better Management of People
4. Mastering the Art of Delegating
5. Making the Most of Your Time
6. Organizing Your Plans and Planning Your Organization
7. Strategies of Moving Ahead
8. How to Live with Your Own Success

Listen in your car, at the office, at home or in your hotel room with convenient tapes in a compact binder. Then inspire your employees, control your schedule and prepare to enjoy your success.

You'll profit for a lifetime from a $95 investment in Executive Seminars in Sound. If you're not convinced these tapes will make your life easier, just return them within 15 days for a full refund. Order your set today.

Try it for 15 days FREE

Guarantee: Send me "Executive Seminars in Sound." If not thoroughly satisfied, I can return it for a full refund.

☐ Check enclosed for $95.

☐ Bill my credit card: ☐ AE ☐ VISA ☐ MC

Card No. _____ Exp. Date _____

Signature _____ Title _____

Name _____ Company _____

Address _____

City _____ State _____ Zip _____

Nation's Business Executive Seminars Division, 1615 H Street, NW, Washington, D.C. 20062

California and D.C. residents, add sales tax.

Call Toll Free 1-800-321-4949

Circle No. 75 on Reader Service Card.

NB0390

CASE STUDY

A Son's Surprise Power Play



ILLUSTRATION: JIM STARR

Fronting on the Pacific Ocean, the Inn at the Wharf boasts 410 guest rooms and suites, two dining rooms, a lobby bar, and the lively Gull's Nest nightclub. The inn's annual revenues are $15 million.

Robert May, 57, purchased and remodeled the inn in 1970. His wife, Katherine, although not now active in the business, has assisted in decorating and menu design. They have three children: Jake, 35; Amy, 30; and Andy, 24.

Three years ago, Jake and his wife, Elaine, wanting to settle down from their life as rock musicians and start a family, were welcomed back. Jake manages the Gull's Nest. Elaine, a stabilizing force for Jake, especially during the stress of on-the-road tours, is interested in using her art skills at the inn.

Business degree in hand, Amy five years ago took over office management, including computer operations, for the inn. She and her husband, who is not involved at the inn, have a son.

Andy will soon receive his degree in hotel and restaurant management and expects to work at the inn upon graduation.

Today, Robert arrived home looking haggard. Questioning him, Katherine soon discovered that Amy had come into Robert's office and burst into tears. Jake had been through her office with an old buddy who represented a computer company and informed Amy that he was considering purchasing a new computer system for the inn. "And besides that, Dad, I'm pregnant again. Can I handle my job and two children?"

Robert called Jake to his office and inquired about the computer decision. Much to Robert's surprise, Jake pulled out his wallet and presented a new business card: "Jacob May, General Manager, Inn at the Wharf."

What should Robert do?



PHOTO: © RICK RAPPAPORT

Entering A New "Time Zone"

Pat Frishkoff, director of the Family Business Program at Oregon State University, which provides educational services to family firms:

Just zeroing in on Jake's self-declaration as general manager is too simple. The situation indicates a greater need.

"Trigger events" are demarcations—happenings that signal change. Jake's attempt to assume the role of general manager is one trigger event; a second is Amy's pregnancy.

Robert must recognize that these events mark a new "time zone." Planning must begin. Robert must first decide who should be involved in charting the inn's future. Then his chosen team must consider: Where are we now? Where do we want to go? How do we get there?

We know three things: That Jake feels entitled to a higher position and may go to extremes to shift responsibility; that Elaine steers Jake and is, herself, interested in a role at the inn; and that Amy feels threatened by Jake's actions and is questioning whether she can "have it all."

The unknowns must be resolved: What are the dreams of each of the three children and perhaps even the dreams of the in-laws? What does Katherine want? And Robert should reveal his own desires and be honest about the financial health of the inn. A family meeting away from the inn, perhaps to start a tradition, is in order.

Today's "trigger events" also demand immediate action. Robert has two choices in handling Jake: If Robert has decided, unequivocally, on Jake as successor, then he should acknowledge this fact to Jake and begin to develop a formal succession plan. If that is not the case, however, Robert must immediately inform Jake that he has stepped beyond his authority and must outline the consequences should Jake ever do so again. Amy deserves encouragement and is entitled to know how Robert handled Jake.



PHOTO: © ALAN DORON

Robert Needs To Restructure

Kathy Berliner, family therapist and a principal in Metropolitan Family Business Associates, a family-business consulting firm in New York City:

Does Robert respond to Jake as a boss or as a father? Is Katherine's role in decision-making acknowledged directly, or does she advocate from behind the scenes? Here lies the challenge for the family business: How does the first generation establish a pattern for managing the conflicting demands of work and family? Recognizing where the family and the business are in their respective life cycles will help dictate a strategy.

We could guess that up until now, the Mays' business has been an extension of home: All are welcome. But the second generation now must manage adult life-cycle tasks in a context that may still be governed by old family scripts. Jake's behavior is evidence of the need for a new structure that can provide for the growth of the individuals and the business.

Robert's first step is to put Jake's self-declared promotion on hold. (This tells the family who's in charge.) Then Robert and Katherine need to clarify certain issues. What do they expect from the business financially and emotionally? What kind of retirement do they envision? Thus begins the process of planning for succession.

Next comes a frank discussion with each child regarding goals and abilities, so career pathways can be more delineated. In this respect, a family business can be uniquely responsive to the needs of working mothers. At the same time, the business's financial viability must be evaluated in light of the parents' desire to accommodate the career and financial needs of their children.

Once these steps have been taken, the business is ready to adopt structural changes, such as job descriptions, formal training, performance evaluation, and separation of areas of responsibility. These reduce the likelihood of power plays.

This is one of a series of case studies of family-business dilemmas, commented on by members of the Family Firm Institute and edited by Cleveland business consultant Ernesto J. Poza. The cases are real, but identities have been changed to protect the privacy of the individuals involved. The authors' opinions do not necessarily reflect the views of the institute. **Copyright © 1990 by the Family Firm Institute, Johnstown, N.Y.**

To order reprints of this case study, see Page 82.

Showing Commitment

By Mike Cohn

To successfully transfer your business to your offspring, an extraordinary commitment to your successors is required by you. Is this a surprise?

Most owners believe the commitment is required *from* others. Our clients say, "I'm already committed to the business and have been for 32 years! It's the successors I worry about."

However, your commitment must be *to* your successors, not the business. Without a commitment on your part, the transfer of the business will be jeopardized—and may never occur.

One client asked us to intervene between his son and a son-in-law. The son-in-law had asked for a 50-percent interest in the business in order to stay on after Dad retired. The son responded, "If you give your son-in-law a 50-percent interest, I'm leaving!"

Dad was sure the dilemma couldn't be resolved and, I believe, secretly hoped the son-in-law would leave. Dad was distraught rather than relieved when my firm was successful in having son and son-in-law reach a compromise regarding ownership. He even talked of firing the son-in-law. Although Dad *said* he was committed to retention of the designated successors, his behavior indicated otherwise. An eventual reconciliation of all parties, and open lines of communication, allowed the business to remain intact.

Some owners opt for the easy way to let go: by transferring partial ownership in stages, over three to five years, ultimately giving the next generation up to 49 percent of the business.

But you make no real commitment or take no risk as long as you retain that 51 percent. You are still in control. You can watch your successor and, if he makes a mistake, sell the business out from under him, recovering part of the 49 percent you gave away through creatively structured compensation arrangements.

The risk is not assumed by you but rather by the successor to whom you have partially transferred the business.

Consider Tom, the 42-year-old son of one of our clients. Tom has worked in his father's business for 20 years. If Dad gives Tom 49 percent of the business over the next three years, Tom will then be 45 years old, perhaps too old to be hired by another company in his industry. Dad could still sell his controlling interest to a third party or hold on until he dies. Clearly, Tom is at risk. He has no assurance that actual control of the business will ever be his.

The alternative—a contractually legalized 100-percent business transfer—represents a real commitment and a more emotional one. One business owner wanted to totally transfer the business to his son over a three-to-five-year period. This plan became an enriching experience as he watched and helped both his son and the business grow. The owner recognized and accepted his new role as consultant and adviser rather than a doer. Now he was the teacher instead of the boss, and he let his son, the "student," make his own decisions. And mistakes.

The emotional risks were there. But, for both the father and the son, the emotional rewards were just as great. NB

Excerpted, with permission, from book #30050, Passing The Torch: Transfer Strategies For Your Family Business, *by Mike Cohn. Copyright © 1990 by TAB Books Inc., Blue Ridge Summit, Pa. 17294 (1-800-233-1128; 717-794-2191).*

Mike Cohn is president of the Cohn Financial Group Inc., in Phoenix, Ariz.

Attend the First Stress Management and Relationship Skills Conference for Couples Who Work Together

IF YOU'RE MARRIED TO THE BUSINESS AND EACH OTHER

The NAEC has designed a conference just for you. When a couple builds a business together, stress is often an unwelcome by-product. And when stress builds up—you, your relationship and your enterprise can suffer.

Hawaii
May 14-20
1990

This exciting program has been developed by the NAEC for entrepreneurial couples to learn relationship and stress management skills from four of the nation's leading experts in these fields.



- Dr. Dennis Jaffe & Dr. Cynthia Scott
- Drs. Sherod & Phyllis Miller
- Guest speakers: Frank & Sharan Barnett, NAEC cofounders and authors of *Working Together: Entrepreneurial Couples*, and Sharon Nelton, Special Correspondent for *Nation's Business* and author of *In Love and In Business*.

MEET IN A PLACE THAT WILL INSPIRE YOU TO RELAX

The Kiahuna Plantation on the island of Kauai is the workshop setting. Then it's off to one of four special island get-away packages—Kauai, Maui, Waikiki Beach, or the Volcano House on the Big Island—to just relax.

COSPONSORS

Nation's Business, the largest small business management magazine in the U.S., and Qumatic Instant Business Solutions, a division of Qume Corporation, producers of software and supplies that put the small business person back in control.

Nation's Business

Qumatic

PRESENTED BY
THE NATIONAL ASSOCIATION OF ENTREPRENEURIAL COUPLES
For details write to NAEC Conference, P.O. Box 3238, Eugene, Oregon 97403.
For reservations call: (503) 344-1566

NAEC

To Your Health

Managing well includes managing your own health—advice to help you do that better.

By Carol Dilks

The Return Of The "Metal Mouths"

When Scot Jaffe was 13, he thought he had seen the last of his braces. His teeth were finally straight, so what would ever induce him to go metallic again?

But years later, his chronic earaches, which his doctors thought were caused by infections, turned out to be caused by a misaligned bite instead. Now 25 and a salesman for Purity Condiments in Miami, Jaffe is wearing braces again, to reposition his teeth.

A million or so other adult "metal mouths" are keeping him company. About 4.4 million Americans sport braces, and, according to the American Dental Association, 25 percent of them are over 20 years of age. Some people wear braces for medical reasons and some out of vanity, but either way, the trend is clear: The number of adults wearing braces has doubled in the past 10 years. Contributing to the trend is a greater general awareness of dental health; more Americans regularly see dentists than ever before. People are actively seeking to hold on to their natural teeth as long as possible—and teeth that fit together well last longer.

Advances in the field have helped make orthodontia appealing to adults. Brackets, the bases to which wires are attached, now come in clear ceramic and plastic, and so they are less visible than the old metal brackets. Sometimes, orthodontists can even put the brackets and wires on the inner surfaces of the teeth. Adjusting such "lingual" devices is difficult because it is hard for the orthodontist to get to them, and they may take longer to accomplish their goal, but they are guaranteed not to show.

Whatever the kind of apparatus, going to the orthodontist can be a big move, one that involves a couple of years and typically more than $2,000. For people like Scot Jaffe, severe pain made the decision to invest in braces an easy one.

"I had been seeing doctors for years about my ear pain, which was like a rubber band snapping in my head," he says. "Then I finally saw a dentist who happened to have had the same problem. He recommended I see an orthodontist."

Just a few weeks into his treatment, with metal braces on uppers and lowers, Jaffe has started getting relief from the condition known as TMJ (temporomandibular joint disorder), or stress and pain in the joints that connect the lower jaw to the base of the skull.

The symptoms of TMJ include popping, clicking, or grinding noises in the jaw, pain in the neck or shoulders, migraines, and ringing or pain in the ears. When Jaffe's teeth are made to meet properly—a process that will take at least a year—the symptoms should be gone.

For Nat Bowditch, 58, a vice president at a large investment firm in Philadelphia, wearing braces was also a health issue. He had been plagued by gum disease since his youth. His dentist finally recommended that he have his teeth straightened so that they could be cleaned properly. Three and a half years later, Bowditch has straight teeth and healthy gums.

When a man of Bowditch's age and position can wear braces without embarrassment, we know that times have changed.

"People in their 50s should be secure enough to just do what they have to," Bowditch says. "And besides, I have so many colleagues now who wear them that it just isn't a big deal."

In fact, Bowditch's orthodontist, Dr. Robert Vanarsdall, chairman of the orthodontics department at the University of Pennsylvania School of Medicine, sees a great number of patients who are in their 50s and 60s or even older. "For 97 percent of us, as we get older our teeth move toward the lips," he explains, "so the front teeth get crowded." That makes it harder to clean between the teeth, he says, and so "the teeth and gums have problems."

Another reason older people seek help is to get their remaining teeth into position before bridgework is introduced into the mouth. If they don't do this, their gums often continue to deteriorate, so more teeth loosen, and, in time, additional bridgework is needed.

Most under-50 adults who wear braces are doing it for looks, pure and simple. Just as they are learning the secrets of using styling mousse, they are pursuing the perfect smiles they see beaming at them from magazines.

"My teeth weren't too bad, they were just crowded together a little," says Mark Wagner, 32, a Philadelphia architectural engineer, but he had four teeth pulled and "invisible" braces (which weren't quite as invisible as he expected) put on. He had to wear the braces for almost three years, but he is now "very satisfied."

"I expected to get some ribbing," he says, "but nobody said a word, only, 'Oh, you have braces—I should do that.' They don't treat you like a kid. They're impressed. It's another way to improve yourself."

Likewise, Scot Jaffe has heard only positive comments from friends and coworkers. The only possible drawbacks would be considered boons by some braces-wearers: People say he looks "cute" in them—and bartenders make him show proof of age. NB

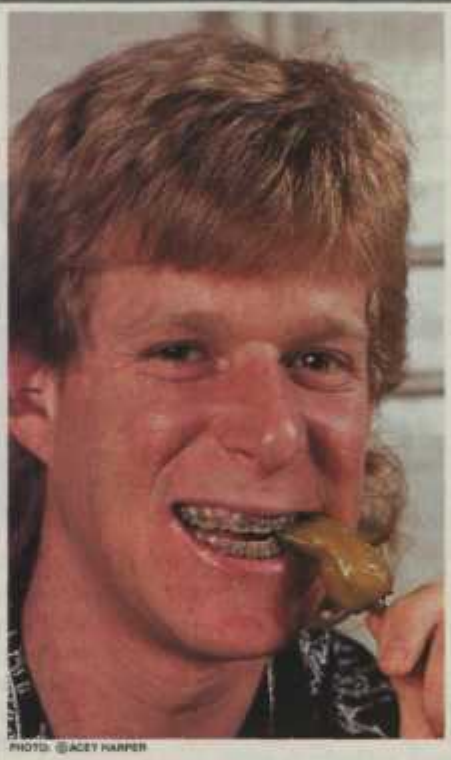


PHOTO: ©ACEY HARPER

Condiment salesman *Scot Jaffe says his braces draw positive comments.*

Carol Dilks is a free-lance writer in Philadelphia.

It's Your Money

A monthly survey of strategies, tactics, tips, and suggestions to help you with your personal finances.

By Paul N. Strassels

BANKING

When Gray Means Green

Bankers across the country are actively courting customers who will leave substantial deposits in the institutions for long periods of time. Through marketing efforts (and good old common sense), bankers have found that persons 55 and older are often the best customers they have. That's why many bankers are offering those older customers free checking accounts, interest-bearing checking, an extra one-fourth of a percent on long-term certificates of deposit, free or low-cost safe-deposit boxes, and more.

If you qualify, ask your bank what it offers. You may save hundreds of dollars a year.



PHOTO: T. MICHAEL KEZA

Many banks *are courting older customers, who frequently have high incomes and a propensity to save.*



Paul N. Strassels, president of Money Matters Inc., Rapid City, S.D., is a tax-law specialist and financial adviser.

INVESTING

Oh, Those Mutual Funds!

Over the past 10 years, U.S. investors have increased the assets they hold in mutual funds more than tenfold—from $94.5 billion to more than $1 trillion. Currently, 25 percent of the nation's households invest in mutual funds, compared with under 6 percent in 1980. Today you can choose from among more than 3,000 funds; a decade ago there were fewer than 600.

There are all kinds of mutual funds from which to choose.

Among equity funds, you can pick one that owns aggressive growth stocks, or one that specializes in growth, growth and income, precious metals, international, and so on.

There are bond funds, short-term municipal funds, and, of course, money-market funds.

The idea behind mutual funds is simple: Small investors who pool their money can enjoy the same high yields as the big boys.

In fact, it was money-market funds that originally introduced many of today's mutual-fund investors to the mutual-fund concept during the days of double-digit interest rates in the late '70s and early '80s.

How are mutual funds held today? Equity funds account for 24 percent of mutual-fund assets. Bond and income funds account for 34 percent. Money-market funds cover another 34 percent. Short-term municipal-bond funds amount to 8 percent.

TAKEOVERS

The High Cost Of Being Gobbled Up

No matter how large or small your business, you may someday face the prospect of a takeover.

It could be a hostile attempt, and you may decide to fight or perhaps search for a "white knight" who will pay a higher price. Or it could be a friendly takeover.

The IRS says that the cost of defending against a hostile takeover or finding a suitor with deeper pockets cannot be currently deducted but rather must be capitalized.

This position is a flip-flop from what had been the Internal Revenue Service's position just a few weeks earlier.

Last July, the IRS ruled that what you spend defending against a hostile takeover is currently deductible because the expenses were incurred to maintain the continuing profitability of the corporation and to protect its shareholders.

Then the U.S. Tax Court ruled in a case that involved a friendly takeover that amounts paid to an investment-banking firm and a law firm in connection with the transaction had to be capitalized because the acquisition conferred a long-term business benefit on the acquired business.

Naturally, the IRS has embraced the Tax Court's reasoning and now says that takeover expenses must be capitalized, regardless of whether the situation is friendly or hostile.

RETIREMENT PLANS

A Reminder On Keoghs And IRAs

Self-employed persons who have previously established their retirement accounts have until the due date of their returns to make their tax-deductible contributions for 1989.

For example, if you file for an automatic four-month extension of time to get your return in to the IRS, you will have until Aug. 15 to fund your Keogh for 1989.

If you plan to fund an individual retirement account, you have until April 16 to make your contribution. You can't extend the deadline, as you can with a Keogh, but the IRS says you can file your return right away and claim an IRA deduction (if your income qualifies you for one) when in fact you have not yet put the money into your account. That's OK with the IRS as long as you fund your IRA by April 16.

TAXES

No Notes, Please

The Internal Revenue Service never relaxes when it comes to your tax return. It wants accurate information about your income, deductions, credits, exemptions, and tax payments. It wants the return filed on time, and if you owe, it wants its money.

The IRS has found that an increasing number of business returns lack re-

TAXES

quired information. Instead of completing certain forms and schedules, taxpayers are jotting notes to the IRS that say, in effect, that the information will be "furnished upon request." That is just not acceptable to the IRS. In many cases, the IRS will kick the return back to you, requiring that all the data required by law be furnished on the return. Without it, the return will be considered incomplete.

Mileage Rate Changes For 1990

Effective Jan. 1, the standard mileage rate that business drivers can deduct is 26 cents a mile for all business driving, not just the first 15,000 miles.

The employer reimbursement rate is also 26 cents a mile. That's what an employer can pay to an employee as a mileage allowance instead of reimbursing actual out-of-pocket driving expenses.

For 1989, the rate was 25.5 cents a mile on only the first 15,000 miles, and 11 cents a mile after that. The IRS says it will continue to review the rate annually.

The writeoff for charitable driving remains 12 cents a mile. The deduction for driving associated with medical and moving expenses also remains unchanged, at 9 cents a mile.

Business drivers have long had a choice. Either keep track of actual expenses for gasoline, oil, taxes, insurance, maintenance, repairs, and depreciation, or keep track of mileage and claim the optional standard mileage rate. Parking fees and tolls continue to be deductible separately.

Traditionally, the IRS published the business drivers' rate during the last quarter of the year. Now, the IRS says it will determine the rate in January or February.

An Employment-Tax Trap For Subchapter S Corporations

Since tax reform, many accountants have urged their clients to adopt Subchapter S status for their corporations. While there can be lots of advantages, there are also pitfalls, not the least of which is the employment-tax issue.

The IRS has recently warned accountants that it will not stand by if owners of Subchapter S corporations distribute all the profits from the business as dividends in lieu of wages. Subchapter S corporations do not pay corporate income tax; rather, they pass through profits and losses to shareholders. Subchapter S corporate dividends are taxed solely to the shareholders but are not subject to Social Security and other payroll taxes.

The IRS says it will reclassify these Subchapter S dividends as wages if the firm does not pay an officer a reasonable salary. That reclassification could cost the company employment-tax penalties.

Income That's Not Taxed

Contrary to widespread belief, the IRS doesn't take a cut of all the income you collect during a year. Certainly, you have to report your wages, bonuses, commissions, dividends, and interest. You have to show your stock transactions, state-tax refunds, alimony received, pension income, and so on.

There is, however, other income you may have received last year that is not taxed, at least not immediately. For example, you may have sold your personal residence and replaced it with a more expensive place. If you did that within the two years allowed, tax on your profit is deferred.

If you were age 55 or older when you sold your home and you otherwise qualify, you can pocket tax-free up to $125,000 of the gain from the sale of the property.

The distribution from an IRA is not taxed when the money is replaced within 60 days.

The interest on a tax-exempt municipal bond is not taxed.

Social Security benefits are untaxed for most recipients and only lightly taxed for others.

Gifts and inheritances you receive are not subject to federal income taxes; nor are veterans' benefits or workers' compensation.

Tell The IRS If You've Moved

One out of five households moves during the year. If yours is one of them, be sure you send a letter to the IRS service center where you file your returns, and to your state-tax people, officially informing everyone of your new address.

The reason is, the IRS is required to send refunds and notices to the last address it has for you. But that's as far as it goes. It does not have to actively seek you out.

The IRS could be trying to reach you to send you a refund check, or perhaps a notice about a deficiency or an audit. While you may not like the last two, it's essential that you respond to these notices in a timely manner. Otherwise you face serious tax penalties.

CASH TRANSACTIONS



PHOTO: © MICHAEL PATRICK—FOLIO, INC.

If your business *receives more than $10,000 in cash, you must report the transaction to the IRS, thanks to a rule aimed at tracking drug money.*

The $10,000 Threshold

When you receive $10,000 or more in cash, you must report the transaction to the IRS, as required by Section 6050I of the Internal Revenue Code.

The law says that the recipient of cash must identify the payor, the date, and the nature of the transaction.

This law has been on the books for a number of years. Its purpose is to help the government track drug money.

If the Justice Department gets its way, this rule will extend to law firms that represent defendants in criminal cases.

Such firms will no longer be allowed to claim the attorney-client privilege when it comes to substantial cash payments. NB

For Your Tax File

What you need to know to keep taxes from overtaxing you.

By Gerald W. Padwe, C.P.A.

PLANNING

Education Benefit Extended–Again

Stability in tax policy is generally considered desirable. Although you may not agree with a particular tax rule enacted by Congress, knowing what the rules will be enables you to plan business affairs more intelligently and with greater confidence.

Unhappily, during the 1980s, the continuance of certain tax benefits has been unstable at best. The use of "sunset" provisions in the tax law, whereby a specific tax rule expires on a given date unless Congress re-enacts it, is a common occurrence.

In the minor tax law that Congress enacted last year, several tax benefits due to expire were again extended, but only for a few months. As a result, we all can expect further agonizing by Congress later in 1990, as the next round of debate on these issues comes up. And from a business perspective, you are faced yet again with planning only for the short term.

Perhaps the best illustration of this instability is employer-paid education assistance. The tax benefit of this provision expired at the end of 1988, and employers went through virtually all of last year not knowing their exact responsibilities for reporting and withholding. Before 1989, an employer could pay for educational or training programs for an employee and not include this payment in the employee's income. At the beginning of 1989, the sunset of this provision meant that reimbursement for anything other than job-related education or training would be taxable to the employee as compensation.



PHOTO: ©MATTHEW BORKOSKI—FOLIO, INC.

Employees are not now taxed *on employer-paid education assistance, but the benefit's status after next Sept. 30 remains uncertain.*

Last Dec. 19, President Bush signed legislation that restored the pre-1989 rule retroactive to the beginning of that year. Thus, employers who followed the technical wording of the law during 1989—withholding taxes on reimbursements to workers for training not related to their jobs—found they had wasted their time by trying to comply. What is even worse is that complying employers may have paid FICA tax on "compensation" that turned out to be tax-free. Many were forced to scramble at the end of last year to put their accounts back in order.

The story has not ended yet, however. There is a new sunset date, Sept. 30, 1990, for employer-paid education assistance. While that date ties in with the end of the government's 1990 fiscal year, it also means Congress will have to deal with the question again this summer or fall. In addition, calendar-year employers may have to adjust their education-reimbursement programs or withholding programs for the last three months of the calendar year.

This has not been one of Congress' finest hours. And there are several other tax benefits with a sunset date of Sept. 30. Watch this space next month for more.

SAVING

IRA Fight Resolved–For Now

Can your bank waive its monthly service charge on your checking account if you agree to set up and maintain an Individual Retirement Account of at least $2,000 with the institution and direct the investments in the account? The Labor Department says the bank can't offer such an arrangement, but the Internal Revenue Service has a different opinion.



Gerald W. Padwe is associate national tax director for professional practice for Deloitte & Touche. Readers should see tax and legal advisers on specific cases.

Included in the overall scheme of taxation for IRAs are financial sanctions on so-called prohibited transactions. For these transactions, the Labor Department, rather than the IRS, is given authority to determine the types of activities that run afoul of the rules.

In the free-checking case, Labor determined that, inasmuch as the bank depositor has control over the assets that are in the bank-maintained IRA, the depositor is within the class of persons for whom providing free checking constitutes a prohibited transaction.

The consequences of this determination can be far-reaching.

First, there are penalty taxes provided by the law for engaging in prohibited transactions. Second, the full amount of tax-deferred earnings in the IRA since its inception would likely become taxable at the beginning of the year in which the prohibited transaction occurred. That seems a bit of overkill for a fairly standard marketing practice that is hardly outside the normal realm of banking activities.

After a good deal of discussion with Labor, the Internal Revenue Service has announced it will not enforce the advisory opinion pending a final decision from Labor on a request for an administrative exemption from the prohibited-transaction rules.

There are a number of restrictions in the IRS announcement, but banks are now on notice as to what they can and cannot do in offering incentives for maintaining IRA accounts. In addition, IRS winds up with a possibly sheepish but nonetheless welcome "good guy" grin on its face. **NB**

Classified Ads

Classified Information

To place a classified ad CALL TOLL FREE, 800-424-6746 (in Washington, DC call 463-5640) or write Nation's Business Classified, PO Box 1200, Washington, DC 20013.

How To Reply To Box Numbers

Box (number in ad), Nation's Business Classified, PO Box 1200, Washington, DC 20013.

ADVISORY SERVICES

TRADEMARK SEARCHES, EXPEDITED REGISTRATIONS. New "Intent-To-Use" Applications. Product/Tradename creation. Trademarkers, Ltd.; 301-229-7777.

AUTOMOTIVE

Cadillacs, Mercedes, Porsche, etc. direct from Government. Seized in drug raids. Available your area. Save $thousands$. 216-453-3000, Ext. A8143.

SEIZED CARS, trucks, boats, 4wheelers, motorhomes, by FBI, IRS, DEA. Available your area now. Call (805) 682-7555 Ext. C-1389.

BUSINESS OPPORTUNITIES

BUMPERSTICKER PRINTER
Cheap, simple, portable. Free details. Bumper, P.O. Box 22791 (TC), Tampa, FL 33622.

HOME IMPORT MAIL ORDER BUSINESS. Start without capital. FREE REPORT. Mellinger, Dept. A1533, Woodland Hills, California 91367

MLM PROS for quality skincare products. Distributorship available. High income potential. Training/demo available. No capital, no inventory required. Call: 415-765-4329.

BANGKOK, THAILAND. Our company has started distribution there. If you know anyone there, it could be very profitable to you to contact Dave White at 602-265-0772.

"SELL MONEY!" Become a Loan Broker! Free details. Dept. NB-216, Financial Planning, 210 5th Avenue, New York, NY 10010, (718) 768-6803, Ext. 200 (24 Hrs.)

25,000 BUSINESSES
FOR SALE BY OWNER
Business Owners MLS
Call 1-800-327-9630

Start a SUPER PROFITABLE BUSINESS from scratch. FREE Subscription to Opportunity Magazine tells how. Write Opportunity, Dept. T60, PO Box 420277, Palm Coast, FL 32142-0277.

POWER EARNINGS! $400 daily buying & selling automobiles wholesale, even without investment! Complete expert instructions. For free details write: JF Smith, Box 2085, Titusville, FL 32781.

EARN QUICK CASH: Buy Sell Government seized houses, autos, computers, boats, furniture, stereos, etc. Everything dirt cheap. Free Details: Seizures, Box 4309-BN, West Covina, CA 19791.

TAKE CATALOG ORDERS. We drop-ship 2,955 best selling specialty products. Lowest below wholesale prices. Immediate delivery. Spectacular home business opportunity. FREE BOOK. SMC, 9401 De Soto Avenue, Dept. 464-15, Chatsworth, CA 91311-4991.

SOVIET AND EAST EUROPEAN business opportunities. Monthly Bulletin with trade and export opportunities will contact you with new markets for $95.00 yearly subscription. Free sample Bulletin will be mailed at your request. Soviet investment and trade law (120 pages) in English is available for $85.00. ORIENTAL, P.O. Box 12023, (Balsito) 00136 Rome, Italy.

INCREASE SALES...USE AN 800 LINE!
AND OUR CREDIT CARD PROCESSING
America's only company offering 800 line answering for just $35.00 per month! It's true. Plus much, much more. We can design & place your advertising. Answer your response, process the credit card sales, store & ship your product & give you WATS lines, TLX & FAX numbers for your own letterhead. Pick only the service you need. Call Danny Wolf, Wolf Airport, Eldersburg, MD 21784 at 800-638-2000 or 800-831-4300 in MD. Telerep 800 can increase your business..try us.

BUSINESS OPPORTUNITIES

FREE REPORT: Earn up to $7,000 monthly as Loan Broker without experience or investment. Start part-time. Financial, Box 3578-BN, Anaheim, CA 92803.

JOIN OUR DIRECT MARKETING PLAN. Make up to $50,000 per mo. working 2 hrs. per week. Proven method. Send $10 to CS, Box 6035, Grand Rapids, MI 49516.

$$$ BE A MILLIONAIRE $$$! Guaranteed Profitable Home Business! Send for FREE details!! McIntire Publishing, Dept. NB, 23243 Raymond St., Chatsworth, CA 91311.

$$$$'S ENGRAVING TROPHIES & SIGNS. Excellent home business, no skill required, small investment, very profitable. Free info: Trophies, Box 24215N, Tempe, AZ 85285.

BEGINNERS-PROFESSIONAL! Knowledge you've been searching to make phenomenal money. Free details. G.K. Publishing, 16345 W. Dixie Hwy. 1115-G, N. Miami, FL 33160.

BECOME A CABINET DOCTOR, installing cabinet fronts. Run your own business out of your home. Husband & wife team. You can earn up to $75,000 or $150,000 as a team per year. We will train you in 1 week. Call 1-800-365-0730.

BEST KEPT SECRET. Earn profits of $50,000 to $150,000 with investment as low as $50,000 owning a CHECK CASHING SERVICE. Extremely liquid "inventory." HMC Consulting, 707 SE 122nd Ave., Portland, OR 97233. (503)255-1127.

BIG INCOME AS A REP
How to get started. Lines offered. Group programs. United Assn. Manufacturers' Reps, Box 6266-N, Kansas City, KS 66106. (913) 268-9466.

ARAB BUSINESSMEN
HAVE MONEY TO BUY & INVEST.
Top finders fee paid. Start without capital. Dept. 390NB1.
Box 100, Nation's Business

MAILORDER OPPORTUNITY! Start profitable home business in America's fastest growing industry. Nationally known authority will teach you. Write for free book, sample catalog, plus details. No obligation. Mail Order Associates, Dept. 59, Montvale, NJ 07645.

MAKE $100.00/hr. imprinting advertising specialties & souvenirs in your home. We supply incredible low-cost pad printer plus hundreds of products bringing 4 to 5 times your cost! Step-by-step program lets you start without capital. Free sample & details. BASCO, 9351 DeSoto Ave., Dept. B464-15, Chatsworth, CA 91311-4948.

BUSINESS SERVICES

BUSINESS PLAN EXPERT writes complete first-stage narrative business plans and all updates. $195.
713-526-0909 Ext. 1070

PATENT ATTORNEY provides quality patent services for individuals & companies in Boulder, CO via mail at affordable fixed fees. Call John Flanagan (303) 449-0884 for free nationwide info about services.

INCORPORATE IN DELAWARE OR ANY STATE quickly & inexpensively. The Corporate Agents team of experts will help you form your corporation. FOR FREE INFORMATION KIT: Corporate Agents, Inc., Dept. NB, Box 1281, Wilmington, DE 19899. (800) 441-4303. Fax (302) 998-7078.

before you hire
CROSS OUT THE CROOKS*



WITHOUT POLYGRAPH
Nationwide hundreds of Corporations use P.O.S. PRE-EMPLOYMENT OPINION SURVEY
(a one page questionnaire)
- PROVEN VALID
- LEGAL IN ALL STATES
- EASY TO UTILIZE
- COST VERY LITTLE

For complete information write or phone (Toll Free)
P.O.S. Corporation
P.O. Box 48232 • Chicago, IL 60648
1-800 – 621-4008

CAREER OPPORTUNITIES

COCOA BEACH, FLA. 1,500 member Chamber, $500,000 budget, seeking experienced CEO for immediate opening. Certification preferred. Salary & benefit package, $50,000 to $60,000. Send resume attn.: Barbara Berard, c/o Wuesthoff Hospital, PO Box 560006, Rockledge, FL 32956.

* TRAVEL WORLDWIDE *
Officers/Directors
Room/Board/Salary/Benefits
No Exp Req/Leave Immed.
Atlantic/Pacific Cruises
Call ASAP! (714) 476-5560

CARPET

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. STAINMASTER & ANSO V. All major brands. 1-800-548-5815. Free quotes/samples. TC Distributor, Dalton, GA.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF CARPET
From the Carpet Capital of the World
FEATURING CARPETS OF ANSO V WORRY-FREE
Built-in Resistance to Stain, Soil, Static, & Wear
Call or write for brochure and samples. BECKLER'S CARPET OUTLET, INC., P.O. Box 9, Dalton, GA 30720. Call 404-277-1151. Established 1949.
Buy direct from mill outlet and save!

Buy Direct. Save 40 to 50%
Barrett's "CARPET MILL STORE"
(A MILL OWNED OUTLET)
Big savings — all qualities business & home carpets. Call, visit, or write requirements with $10 for samples (refundable upon return or purchase). I-75, exit 135, P.O. Box 2045 (3004 Parquet Rd.) Dalton, GA 30720. Ph.: 1-800-241-4064, ext. 79. In Georgia 1-800-447-2114.

COMPUTERS/ACCESSORIES/SOFTWARE

ABSOLUTELY LOWEST PRICES on computers, software and accessories - guaranteed. Write for free information: SEABIRD, 4B Militia Drive, Lexington, MA 02173.

MARYMAC* INDUSTRIES INC.
Our 13th year of DISCOUNTS
Tandy® Computer Radio Shack® Products
Fgt. Prepaid. Save Tax
Toll Free 800-231-3680
22511 Katy Fwy., Katy (Houston) TX 77450
1-713-392-0747 FAX: (713) 574-4567

Save Time & Money!
- **GENERATE** Postcards, Brochures, Order forms, Newsletters, Catalogs, Quotes... Mailing list... Phone tracking..... $95
- **PURCHASING QUOTE TRACKING** SHOTGUN RFQ's (150s/HOUR). POs, Item & Vendor files, more! $95
- **MAINTENANCE & INVENTORY** Schedule & Track activity parts & costs. Requisition parts & supplies automatically! $95

D. K. BELL ENTERPRISES, INC. - 1108 K "K" St. Lovejoy, California 95438
"The Business Software Developers" CALL! VISA/MC/PO or INFO:
MONEY BACK GUARANTEE! PC/XT/AT/PS2 or comp ● 800-228-8645

DIRECTORIES/GUIDES/PUBLICATIONS

FREE SUBSCRIPTIONS to over 200 major computer and business magazines - guaranteed. Write for free information: SEABIRD, 4A Militia Drive, Lexington, MA 02173.

EDUCATION/TRAINING PROGRAMS

TERMPAPERS. 16,278 available! 306-page catalog--$2.00. Research, 11322 Idaho, #206NT, Los Angeles, CA 90025. Toll Free: 800-351-0222 (California: 213-477-8226).

FREE COLLEGE TAPE External Degrees Business/Public Administration LAW Graduate/Undergraduate, Financial Aid. (800) 759-0005. LASALLE UNIVERSITY Mandeville, LA 70470-4000.

Fully Approved University Degrees!
Economical home study for Bachelor's, Master's, Ph.D.. FULLY APPROVED by California State Department of Education. Prestigious faculty counsels for independent study & life experience credits (5000 enrolled students, 400 faculty). FREE INFORMATION -- Richard Crews, MD (Harvard), President, Columbia Pacific University, Dept. 3J83, 1415 Third St., San Rafael, CA 94901. Toll free: 800-227-0119; CA: 800-552-5522 or 415-459-1650.

EDUCATION/TRAINING PROGRAMS

Finish Your BA/MS/MBA/PhD/JD by corr. CityUnivLA, 3960 Wilshire Blvd., LA, CA 90010. 60 sem. credits required. 1-800-262-8368/213-382-3801.

PARALEGAL GRADED CURRICULUM. Approved home study. Most affordable & comprehensive. 100 years of legal training. FREE CATALOG. 1-800-826-9228. BLACKSTONE SCHOOL OF LAW, P.O. Box 790906, Dept. NB, Dallas, TX 75379.

BACHELORS, MASTERS, DOCTORAL DEGREES
Non-residential programs. Send resume, mention Academic Field, and we'll tell you the credits you've already earned from work experience. No Obligation. SOUTHWEST UNIVERSITY, 4532 West Napoleon Ave., Metairie, LA 70001. (800) 433-5925 or 433-5923.

EXECUTIVE GIFTS

*****WATCH REPLICAS*****
GUARANTEED LOWEST PRICES! Warranty! Goldplated! Exact weight! LIMITED FREE PROMOTIONS! CALL NOW (404) 963-3USA.

MAKE YOUR CLIENTS FEEL SPECIAL TODAY
Send a chicken soup array gift basket filled with chicken soup, fun & surprises. $29.95 delivered. MC, Visa, Amex. Soup's On, call 1-800-365-SOUP.

GENUINE EELSKIN AT DISCOUNT PRICES
Briefcases, Wallets, Belts, Purses, Etc.
SATISFACTION GUARANTEED, Quantity Discounts
Send $3.00 for catalog & receive a free eel key chain
Sasal, 322 Cedar St., Destin, FL 32541

FACSIMILE MACHINES

FAX MACHINES FAX PAPER
Japanese fax paper starting from $3.50 roll. Free fax paper with every machine purchase. Call us today!!
UNITED WHOLESALE 1-800-365-8866

PROTECT YOUR VALUABLE ELECTRONICS
PANAMAX Surge Protectors Provide the best protection for your equipment. All Panamax Protectors are guaranteed for life & provide FULL REPLACEMENT of your equipment if damaged while plugged in a Panamax Protector. Various units made for Faxes, Computers, Satellite Systems, Cable TVs, Stereos, etc. Call 1-800-825-5724 for brochures, or write to authorized dealer below:
P.C.I. America, PO Box 81120, Mobile, AL 36689-1120/USA

FREE FAX PAPER
With Machine Purchase



TOP DISCOUNTS
ON NEW SHARP, MURATA, XEROX, CANON, RICOH
- Best prices in the country.
- Full Service & Training.
- We Take Trade-Ins.
- Used FAX Machines Available.
- New Toshiba Laptop Computers.

CALL US TODAY
FAX OF AMERICA
1-800-342-FAXX
America's low Price FAX Distributor
NC

FINANCE/INVESTMENTS

CAPITAL
Build and update first-stage financial models. $89.
713-526-0909 Ext. 1071.

FRANCHISE OPPORTUNITIES/SERVICES

GET THE FACTS ON OVER 5,600 FRANCHISORS
1990 Franchise Annual Directory includes Handbook concerning what you should know before entering Franchise. $34.95 + $5.00 postage & handling. Money-back Guarantee. INFO FRANCHISE NEWS, 728 K Center St, Lewiston, NY 14092.

FRANCHISE
Your Business.
FRANCHISE CONSULTING GROUP, INC.
the franchise consultants
800-358-8011 BOSTON 617-740-2211

FRANCHISE OPPORTUNITIES/SERVICES

Making King Size Dreams Come True
Join the Premier Hero Sandwich, Deli Pizza Franchise Area Development Program available.
$59,000-128,000 initial investment.



LITTLE KING
11611 "I" Street
Omaha, NE
68137
(800) 228-2148

aoc franchise opportunity
accountants on call©
Specialized Temporary Help Services
Offering: • Ownership • Control • Specialization
• Leadership Position in the Market • Training & Support
Richard Pittus, V.P.; 95 Route 17 So.; Paramus, NJ 07652
1-800-545-0006 Offer by Prospectus only.
© 1989 accountants on call ®

HOME/OFFICE FURNISHINGS

CARPET-VINYL-HARDWOOD. BUY DIRECT & SAVE 50-70%. STAINMASTER & ANSO V. All major brands. 1-800-548-5815. Free quotes/samples. TC Distributor, Dalton, GA.

TREMENDOUS SAVINGS ON MAJOR BRANDS OF FURNITURE
Call or write Loftin-Black Furniture Co.
111 Sedgehill Dr., Thomasville, NC 27360
CALL TOLL FREE 1-800-334-7396
(in N.C. call 919-472-6117)
NATIONWIDE HOME DELIVERY

IMPORT/EXPORT

HOW TO IMPORT/EXPORT
Sources, etc. Kitco, Drawer 6296-N, Kansas City, Kansas 66106.

INCENTIVE GIFTS & PREMIUMS

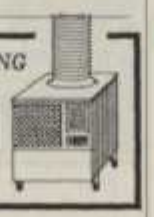
CORPORATE REWARDS



Mugs from $1.59
Free Promotional Gift Catalog
Toll Free (800) 792-2277
In CA (800) 826-8585
FAX 415-786-1111
The Corporate Choice®
3952 Point Eden Way • Hayward, CA 94545

INDUSTRIAL PRODUCTS

COMPUTER ROOM COOLING
PLUG IN
BUY–RENT–LEASE
NO WATER REQUIRED



TRIANGLE ATLANTIC CORP.
BALTIMORE, MD.
1 (800) 367–7004

INVENTIONS

INVENTIONS, IDEAS, TECHNOLOGY WANTED!
Industry presentation/national exposition.
1-800-288-IDEA.

INVENTORS: We are a full service marketing and patent development company for inventors. Call TLCI for free information. 1-800-468-7200 24 hours/day -USA/Canada.

INVENTORS!
Your first step is important. FOR FREE ADVICE CALL ADVANCED PATENT SERVICES, Wash., DC 1-800-458-0352.

INVENTIONS

INVENTORS: If you have an invention for sale or license, write for free booklet explaining how we can help you. Kessler Sales Corporation, C-62, Fremont, Ohio 43420.

A NEW IDEA? Call National Idea Center of Washington D.C. free info - 1-800-247-6000, extension 160. Come see The Invention Store!!

HAVE AN IDEA, INVENTION, OR NEW PRODUCT? Don't know what to do? Call IMPAC - For free information package toll free in U.S. and Canada: 1-800-225-5800.

INVENTORS! Can you patent and profit from your idea? Call AMERICAN INVENTORS CORPORATION for free information. Over a decade of service. 1-800-338-5656. In Canada call: (413) 568-3750.

MAIL ORDER

FIREWORKS. WE SHIP TO YOUR DOOR. Low Prices. Bottle rockets as low as .99 cents a gross. Catalogs and info call now: 1-900-USA-1776.

MILLIONAIRE Mailorder Expert Reveals Money-Making Secrets! Free exciting, hour cassette: Melvan Powers, No. Hollywood, California 91609.

MAILING LISTS SERVICES

MAILING LISTS. Every category available. Call for FREE catalog. First National List Service. TOLL-FREE: 800-621-5548 (in ILL: 312-275-4422).

FREE MAILING LIST CONSULTATION. Every category available. Details: GOC/655, box 1107, Stuart, FL 34995. Or call for free consultation, 800-554-LIST or 407-334-5205.

MAILING LISTS - Actual respondents - Guaranteed - Many categories available - TOLL FREE 800-654-5541. McAfee's, 1915 Carpenter St., Bridgeport, TX 76026.

Need Business or Consumer Lists?
- 14 Million U.S. Businesses
- 500,000 U.S. Manufacturers with Contact Name & Sales Volume
- 4.3 Million High Income Americans
- 84 Million Consumers / Residents
- 1.6 Million Canadian Businesses

FREE Catalog - Call 402-331-7169 or write:
American Business Lists
P.O. Box 27347, Dept. 1650 • Omaha, Nebraska 68127

MARKET INFORMATION

USE INFORMATION TO INCREASE SALES
Information on your market from $149.00. MARKET PROFILES, INDUSTRY PROFILES, TERRITORY PROFILES, TARGETED PROSPECT LISTS, DATABASES. For FREE catalog call MARKETING DATA SYSTEMS, 201-882-3384. 3 Rt. 46W, Fairfield, NJ 07006.

MINIATURE ELECTRONICS

WORLD'S ONLY, MOST SOPHISTICATED 6 Language Pocket-sized TRANSLATOR. 40,000 words-50 phrases, dictionary, currency exchange & calculator! Lowest Nationwide! 404-963-3872.

OF SPECIAL INTEREST

ATTENTION COLLECTORS. List or search for any collectible. $1.00 per item, per mo.; 6 mo. minimum. World's largest database. International Collector's Exchange, 1306 Alastair Dr., Henderson, KY 42420.

REAL ESTATE

REPOSSESSED VA & HUD HOMES available from government from $1 without credit check. You repair. Also tax delinquent foreclosures. CALL (805) 682-7555 Ext. H-1687 for repo list your area.

SEMINARS/CONFERENCES/CONVENTIONS

THE NATION'S BEST SPEAKERS!
Let us know what your program needs are. National News Speakers Bureau, 499 National Press Building, Washington, D.C. 20045. Mary Lou Keaney, 202-638-7468.

TELEPHONE/TELEX SERVICES/EQUIPMENT

GUARANTEED LOWEST COST SERVICE IN AMERICA
WATS lines. Telex Lines & Fascimile lines for your letterhead, as low as $6.25 per month! Call 800-638-2000 or 800-831-4000 in MD. FAX 301-549-2967.

BUY YOUR BUSINESS TELEPHONE equipment & PBX direct. No middleman. Full systems or parts, new & used. AT&T, ITT, MITEL, NEC, & much more. C.A.A.I.: 407-471-7061.

Nation's Business REPRINTS

Like a team of business consultants, Nation's Business *reprints provide expert advice on management techniques and strategies, such as how to improve cash flow, raise venture capital, computerize your business, and motivate employees.*

Special Reprint Packages

Save Over 19% When You Purchase Special Reprint Packages.

(Individual reprints may be purchased from Special Reprint Packages at the single reprint rates listed below. Reprints are in black and white only.)

FAMILY-BUSINESS PACKAGE #8705 ($9.95)
Passing On The Dream (#8685)
Bringing Your Kids Into The Business (#8700)
Marrying Into The Family Business (#8746)
The Joy Of Family Meetings (#8713)
Family Business: A Hot Market (#8721)
Making Sure Your Business Outlasts You (#8722)

MANAGING-EMPLOYEES PACKAGE #8706 ($9.95)
See You In Court (#8753)
Settling Conflicts Among Your Workers (#8699)
Job Sharing: A Working Idea (#8751)
Bridging Your Workers' Motivation Gap (#8740)
Give New Employees The Right Start (#8736)
Your Worker's Crime May Make You Pay (#8733)

ENTREPRENEURIAL-MANAGEMENT PACKAGE #8707 ($9.95)
Keeping Your Business Afloat (#8632)
Business Plans: Myth And Reality (#8718)
Clamp A Lid On Company Secrets (#8715)
Breaking Up The Business Is Hard To Do (#8717)
How To Be A Great Boss (#8719)
How To Sell Your Business/Buying Your Business Back (#8730)

SMALL-BUSINESS FINANCE PACKAGE #8709 ($9.95)
Strategic Investing (#8559)
Finding Funding (#8593)
Managing Your Company's Cash (#8617)
Raising Venture Capital Now (#8634)
How To Find Under $1 Million (#8678)
Have Your Cash And Borrow, Too (#8716)

FRANCHISING PACKAGE #8668 ($9.95)
Franchising (#8560)
Dear Diary: I'm Now A Franchisee (#8569)
Franchising's Future (#8582)
Franchising: Find That Niche (#8635)
Finding The Right Franchisor (#8608)
Is A Franchise In Your Future? (#8726)

COMPUTER PACKAGE #8671 ($9.95)
Computerizing With Confidence, a six-part series.

RECENT BEST SELLERS (Available Individually)
Curbing The High Cost Of Health (#8758)
Taxes: Don't Pay Too Much (#8766)
How To Calculate Capital Needs (#8767)
Unemployment: Cutting The Costs (#8768)
Memories For Sale (#8771)
Quick Checks (#8772)

Current Reprint Articles

FIGHTING THE HIGH COST OF WORKERS' COMP (#8783) Small-business owners stung by rising insurance costs demand remedies. (Page 20)

FAMILY BUSINESS (#8784) A case study of a family company's problems, along with some expert advice. (Page 74)

A DEMANDING CUSTOMER (#8785) Doing business with Uncle Sam can pay off for those who abide by the strict rules. (Page 29)

THE CREATIVE TOUCH (#8786) Are you doing what you can to foster your employees' creativity? (Page 42)

To order, call (202) 463-5877. Or mail this coupon to Nation's Business, *Reprint Manager, 1615 H Street, N.W., Washington, D.C. 20062.*

SINGLE REPRINT QUANTITIES/RATES

1 to 9 copies	$1.99 ea.
10 to 29 copies	$1.49 ea.
30 to 99 copies	$1.19 ea.
100 to 999 copies	$.99 ea.

REPRINT PACKAGES $9.95

REPRINT #	PRICE	QUANTITY	TOTAL
	TOTAL		

☐ Payment Enclosed
☐ Bill Me ($10.00 minimum)
☐ Bill my credit card ($9.95 minimum)
☐ AE ☐ MC ☐ VISA

Card Number _____ Exp. Date _____

Signature _____

Name _____

Title _____

Address _____

City _____ State _____ Zip _____

Direct Line

In which experts answer our readers' questions about starting and running their businesses.

By Meg Whittemore and Bradford A. McKee

GAME RESEARCH

On The Board

I recently spent $600 for a market-research report on a new board-game concept. To develop it for presentation to a manufacturer, I must spend an additional $2,000 to $7,000. Are there manufacturers that will buy new ideas?
B.W., Roxboro, N.C.

Ava Slepicoff of the Toy Manufacturers of America, in New York City, says you probably won't be able to show your idea to a big company because, "for legal reasons, most [toy] companies go through internal design staff to develop ideas." Two information sources might prove useful, however. One is *Game Plan: The Game Inventor's Handbook*, by Stephen Peek, Betterway Publications Inc., P.O. Box 219, Crozet, Va. 22932; (804) 823-5661. The other is *The Inventor's Guide to Game Marketing*, a $10 booklet by Tom Braunlich, Technical Game Services Inc., 133 Winslow Way, Bainbridge Island, Wash. 98110; (206) 842-5104.



ILLUSTRATIONS: DAVE ALLEN

SERVICES

Temporary Plans

I am interested in starting a temporary-personnel agency. I would appreciate any information you can provide.
D.R., Christchurch, New Zealand

If you plan to open the agency in New Zealand, you should speak with business associations there as well as with owners of agencies about their experiences. Although New Zealand's market for temporary employees may differ from that of the U.S., you may find pertinent information in a $25 reference kit offered by the U.S.-based National Association of Temporary Services. The packet includes basic facts on the temporary-services industry; consultants' addresses; brochures on payroll, insurance, and legal items; and a sample of *Contemporary Times*, the association's newsletter.

You can write to the National Association of Temporary Services at 119 S. Saint Asaph St., Alexandria, Va. 22314; or you can call the organization at (703) 549-6287.

Tax Matters

What information is available to help me start a firm for preparing income-tax forms? Is there a group that serves independent tax-service start-ups?
J.S.H., Sumter, S.C.

David Mellem, assistant director of membership services for the National Association of Tax Practitioners, says it will take you a year or two to become established in your community. Since tax-preparation work is seasonal, Mellem suggests you pursue accounting work the rest of the time.

The association conducts workshops



for its members and offers a tax-research center as well as a monthly newsletter to help clients keep better accounting records. Membership is $75 for the first year and $60 a year thereafter.

For more information, call or write Mellem at the National Association of Tax Practitioners, 720 Association Drive, Appleton, Wis. 54914-1483; (414) 749-1040.

FARMING

Gator Groundwork

I am interested in starting an alligator farm and would like to know whom I could contact for information.
G.C., San Antonio, Texas

The market for alligator hides is international, and the market for alligator



meat—"a novelty"—is local, says H. Franklin Percival, of the University of Florida-Gainesville Extension Service. In Florida, where alligator farming is thriving, most successful growers work with the state-sponsored Alligator Management Program to obtain eggs and hatchlings. You can obtain the program's "Alligator Farmer Information Package" by contacting the Wildlife Research Lab, 4005 S. Main St., Gainesville, Fla. 32601; (904) 336-2230.

Percival suggests you contact the Texas Department of Agriculture at (512) 463-7476 for information on regulations for operating an alligator farm.

CAPITAL

Employee Ownership

I need information on employee buyouts of companies and on raising capital.
D.B., Burnham, Pa.

The U.S. Small Business Administration's Service Corps of Retired Executives (SCORE) should be able to help you. Kenneth Olson, director of the SBA's office in Harrisburg, Pa., can direct you to a local SCORE representative to guide you. Olson may be reached at SBA, 100 Chestnut St., Room 309, Harrisburg, Pa. 17101; (717) 782-3840.

RETAILING

Stationery Stores

I want to open a stationery store, but I have been unable to find out where to purchase the products normally sold in such stores. Can you provide names of suppliers, trade journals, etc.?
T.K., Walnut, Calif.

For $75, the Wholesale Stationer's Association will send you its mailing list of 35 wholesalers.

For $300, you can obtain its membership roster of manufacturers and wholesalers, which lists names, addresses, products, and ordering and purchasing information.

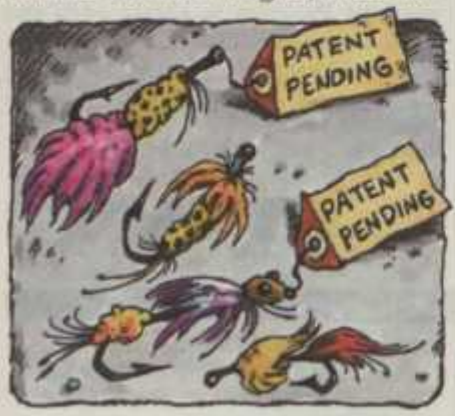
Contact Joan Skifano in the association's membership-records department, at 1701 E. Woodfield Road, Suite 403, Schaumburg, Ill. 60173; (312) 240-1909.

PATENTS

Fishing For Flies

We want to start a fly-fishing accessories business. How do we find out which flies have been patented?
C.S., Albany, Ore.

You can conduct a patent search through a registered patent attorney or by writing to the U.S. Patent and Trademark Office for guidelines on such a search. A patent attorney will charge $100 to $300 per hour. Susan Boyer, president of SRB Associates, an intellectual-property research firm in Alexandria, Va., suggests you make sure your attorney is listed in *Patent Attorneys and Agents Registered to Practice Before the United States Patent and Trademark Office*, a U.S. Government Printing Office publication available in many public libraries. For more information, call the Public Service Center of the Patent and Trademark Office at (202) 557-5168.



SUPPLIERS

Industrial Safety

We are interested in adding a line of industrial-safety items to our present business. Could you give us a list of possible suppliers of such items?
D.S.S., Oldsmar, Fla.

The members of the Industrial Safety Equipment Association are manufacturers whose products fall into 12 categories of U.S.-made industrial-safety items. You can write to the association's president, Frank E. Wilcher Jr., to ask specific questions on the categories of safety equipment in which you are interested. The association also offers a free information kit. Contact the ISEA at 1901 N. Moore St., No. 501, Arlington, Va. 22209; (703) 525-1695.



EXPENSES

Clean Sweeps

I have a janitorial, groundskeeping, and parking-lot-sweeping business for commercial properties. I need information on what percentage of income is normal to spend on labor, supplies, etc., for this type of service.
J.M.K., Knoxville, Tenn.

Contact the Professional Grounds Management Society for a copy of its manual, *Grounds Maintenance Estimating Guidelines*; the revised edition, available in April, is $12 for nonmembers. The Organization is at 12 Galloway Ave., Suite 1E, Cockeysville, Md. 21030; (301) 667-1833. Another source of information is the Associated Landscape Contractors of America, 405 N. Washington St., Suite 104, Falls Church, Va. 22046; (703) 241-4004.

END NOTES

Going Out Of Business

I am a sole proprietor of a data-processing business. I want to dissolve my business, but I don't know what I must do to legally close my firm. What do you suggest?
F.A.S., San Francisco

Among the steps you should take is to notify all your vendors that your business has been dissolved, says Washington, D.C., attorney Carl Zwisler, an expert on franchising law. Retrieve company credit cards and keys from employees, and tell your bank—in writing—that you are the only party authorized to draw funds from the business account. All creditors of the business must be paid off, Zwisler says. Business licenses will expire automatically if they are not renewed. Check with a local attorney for advice on how to dissolve contractual obligations to clients. You also will be liable for federal, state, and local taxes through the last quarter in which your business was operational.

Finally, Zwisler says, call the legal department of the California Secretary of State, (916) 445-0620, for more information on California's laws on sole proprietorships.

TRANSPORTATION

Calling All Vans

I am trying to secure a listing of magazines that feature van companies. Is there a place to write for such a listing?
J.M., Rockford, Tenn.



The Recreation Vehicle Industry Association (RVIA) offers a free *Van Conversion Consumer Information Packet*, which includes a catalog of consumer and trade publications on the industry. The packet also contains a complete list of RVIA members, most of whom are RV manufacturers and van-conversion suppliers. To order, write to the Recreation Vehicle Industry Association, P.O. Box 2999, 1896 Preston White Drive, Reston, Va. 22090.

HOW TO ASK

Have a business-related question? Send your typewritten query to Direct Line, *Nation's Business*, 1615 H Street, N.W., Washington, D.C. 20062. Writers will be identified only by initials and city. Questions may be edited for space.

The editors of Direct Line have compiled the most-asked questions into the compact "Your Small Business Survival Guide," at $3 a copy. To order, write to the Circulation Department at the address above. NB

COMMENTARY

Where I Stand

Readers' responses to this poll give them a direct voice in the policy-making process of the U.S. Chamber of Commerce.

1. Enact Uniform Rules On Product Liability?

State product-liability laws differ greatly. Many in Congress would like to see the state laws superseded by a uniform federal statute that clearly defines responsibilities of businesses for injuries involving goods made, distributed, or sold by them. Proponents argue that a set of standards defining the rights of businesses and consumers would enhance U.S. competitiveness through added product innovation and reduced prices. Opponents say consumers are better protected under the present system than they would be under a uniform statute that, they believe, would discriminate against injured parties. Should Congress enact a uniform federal product-liability law?

2. Cut Wage Costs On Federal Projects?

Rep. Charles W. Stenholm, D-Texas, wants any new congressional deficit-reduction plan to include savings that would accrue from repeal of the Davis-Bacon Act, which mandates high pay scales for federal construction projects. Those who support repeal contend that substantial budget savings would accrue from enhanced competition for federal construction work. They point out that most small contractors now shun federal jobs because of Davis-Bacon's rigid requirements. Opponents contend repeal would encourage unscrupulous contractors to pay inequitably low wages. Should congressional action to reduce the federal deficit include repeal of the Davis-Bacon Act?

3. Toughen Laws Against Employment Bias?

Sen. Edward M. Kennedy, D-Mass., wants Congress to overturn recent Supreme Court decisions that make it tougher to prove employment discrimination; his bill would strengthen U.S. civil-rights laws to provide, among other things, cease-and-desist authority to the Equal Employment Opportunity Commission. Proponents say job applicants and workers no longer have adequate protection against employer discrimination. Opponents argue that current law and court decisions clearly spell out companies' and workers' rights. Kennedy's proposal, they say, would prompt costly, counterproductive lawsuits. Should laws on discrimination by employers be toughened?

Verdicts On January Poll

Here is how readers responded to the questions in the January issue.

	Yes	No	Undecided
Will the economy keep growing throughout 1990?	43%	39%	18%
Will consumer spending decrease significantly during 1990?	38%	49%	13%
Should lawmakers enact labor's agenda?	10%	84%	6%

Send in your vote on the inserted postpaid card. Your views on any of these questions are also welcome as letters to the Editor, Nation's Business, *1615 H Street, N.W., Washington, D.C. 20062.*

FREE INFORMATION

1-800-443-5903

CALL NOW toll-free to learn more about the products and services offered by our advertisers, or fill out the attached card.

AAMCO Transmissions **5**
Academic Guidance Services **8**
AlphaGraphics **25**
Arby's **30**
AVIS **11**
Best Western International **4**
CM Alliance Cos. **52**
Dale Carnegie & Associates **1**
Entergy Corp. **92**
Excel Progressive Publications **29**
Executive Seminars in Sound **75**
Fast Frame **23**
Fast Signs **6**
Franchise Video **108**
Hampton Inns **44**
Hardee's **7**
High Country Fashions **56**
IVECO Trucks **19**
Jani-King International **27**
Little Caesar's **17**
MAACO Enterprises **79**
Mail Boxes Etc. USA **53**
Management Recruiters **10**
Missouri Dept. of Economic Dev. **3**
NurseFinders **68**
Palmer Video **47**
Phillip Morris Cos. Inc. **41**
Ryder Truck Rental, Inc. **83**
Signs Now **43**
Southwestern Bell **13**
Stran Buildings **2**
Swintec Corp. **51**
Trust Company Bank **39**
United American Marketing **67**
United States Postal Service **37**
Varco-Pruden Buildings **9**
Wells Fargo Bank **35**
Xerox Corp. **55**

COMMENTARY

Congressional Alert

Here, in brief, are important legislative issues along with suggestions from *Nation's Business* on what you should tell members of Congress about them. Addresses: U.S. Senate, Washington, D.C. 20510 and U.S. House of Representatives, Washington, D.C. 20515.

Repeal Estate "Freeze" Rules

Support continues to build in Congress for repeal of Section 2036(c) of the Internal Revenue Code, a misguided law that can make it very difficult for a family business to pass



PHOTO: ©GABE PALMER—THE STOCK MARKET

from one generation to the next.

Enacted in 1987, Section 2036(c) eliminates the commonly used estate "freeze" technique for passing a firm on to heirs without incurring prohibitively high estate taxes.

Present law exempts the first $600,000 of an estate from the federal estate tax, but many family businesses are worth far more. Amounts above $600,000 are taxed at 37 percent, and tax rates rise to 55 percent for amounts over $3 million. If an estate does not have the funds to pay the taxes, the business may have to be sold. Restoring the estate "freeze" would enable many firms to be passed on to succeeding generations.

Bills to repeal Section 2036(c) include H.R. 60, introduced by Rep. Bill Archer, R-Texas; S. 849, introduced by Sen. Thomas A. Daschle, D-S.D.; and S. 659, introduced by Sen. Steve Symms, R-Idaho. Currently, 148 representatives and 34 senators have indicated support for repeal.

Urge your representative and senators to support legislation that would repeal Section 2036(c).

Reducing Burdens Of Paperwork

A vote is expected on the floor of the U.S. House of Representatives by early spring on legislation that would ensure effective implementation of the Paperwork Reduction Act. The

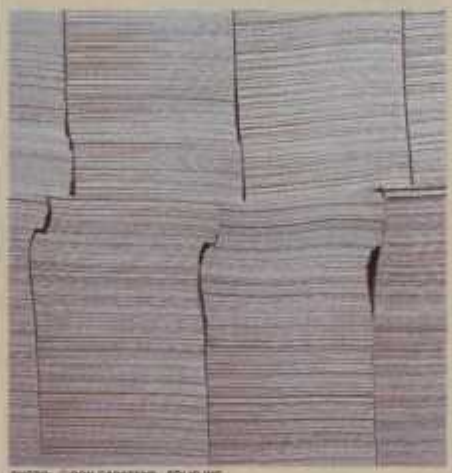


PHOTO: ©DON CARSTENS—FOLIO INC.

1980 law was enacted to reduce the burden placed on business by often-duplicative federal paperwork.

The legislation, H.R. 3695, would reauthorize funding for the Office of Information and Regulatory Affairs (OIRA), which oversees the paperwork law, and would place more emphasis on cutting the paperwork burden of federal tax and procurement policies affecting small firms.

The Senate Governmental Affairs Committee is expected to hold hearings on a related measure, S. 1742, by early spring. The Senate bill would require federal agencies to reduce their paperwork burden on business by 5 percent. Business has reservations about certain sections of S. 1742, including a provision that would let federal agencies police their own compliance of some provisions of the paperwork act.

Urge your senators to remove those parts of the bill, such as the self-policing provision, that would undermine the act as an effective means of reducing paperwork burdens on business.

Debate Over Food Safety

Several congressional committees have considered changing laws that govern the food supply. Measures under discussion would replace the zero-tolerance standard for pesticide



PHOTO: ©RICK BUETTNER—FOLIO INC.

residues in and on food with a negligible-risk standard and would expedite removal of known pesticide carcinogens from the food chain, would mandate a seafood-inspection program, and would require certain nutritional information on food labels.

The U.S. food supply is safer now than ever because of improved quality control, but recent studies indicate federal food-inspection programs should reflect the latest scientific data and technology.

Reforms that would further enhance food safety include the enactment of a uniform federal negligible-risk standard that would provide the regulatory flexibility needed to authorize new and safer chemicals. Another needed reform would require food facilities to adopt hazard analysis at critical operating points and establish controls to eliminate hazards.

Urge your representative and senators to support scientifically sound food-safety reforms, such as hazard analysis and the negligible-risk standard, to reassure public confidence in the food supply. NB

COMMENTARY

Editorials

Congressional Action On The Budget Should Extend To Basic Reforms



The annual budget battle in Washington takes place on many fronts. It pits budget committees against authorizing committees and appropriations committees, and budget committees against tax-writing committees. The House and the Senate clash over budget decisions, and the ultimate fight takes place between the White House and the Congress, particularly when there is a political division between the two branches.

Although Congress has established a series of deadlines for orderly consideration of the budget, experience shows that few, if any, will be met. The budget process on Capitol Hill usually runs from one year into the next, and it takes so much time that other important matters are denied the attention they deserve.

The situation usually becomes worse in an election year, such as this one, as the temptation to view fiscal policy in terms of reelection strategy becomes particularly strong.

It is not surprising that any budget produced in such an atmosphere will fall far short of the goals of restraint and well-ordered priorities that taxpayers expect their elected representatives to achieve.

President Bush took a critical look at that situation when he told Congress in his fiscal 1991 budget message: "The process by which Congress deals with the budget each year is flawed in several respects. It consumes too much time and works poorly; and it is not achieving the deficit targets established by Congress itself."

He urged the lawmakers to look beyond the instant budget and consider long-term reforms. Among them: a two-year budget cycle with strong controls against piecemeal additions; line-item veto authority that would let the president reject—subject to existing override procedures—specific items in spending and tax bills that he must now accept or veto *in toto*; and a constitutional amendment that would require a balanced budget and would also contain "safeguards against achieving the balance through higher taxes."

Congress should recognize that action on those proposals is among its major budget responsibilities for this year.

Workers' Views On Drugs Are Tougher Than Anticipated

The drug scourge now assailing the nation owes much of its power to the permissive attitudes and practices of the 1960s. Drug use offered a double reward to defiant young people of that era: self-indulgence and a way to challenge authority. Many of those who did not use drugs themselves accepted the claim that users were entitled to their harmless recreation.

There's nothing harmless about the consequences of those attitudes—death, wasted lives, shattered families, children involved in drugs, the growth of terrorist cartels, and babies born addicted to the same drugs that enslave their mothers. In the workplace, drug abuse costs $60 billion a year through lower productivity, higher absenteeism, accidents, medical claims, and theft.

The tolerance that took root in the 1960s could not survive the unfolding of the true nature of a drug culture. Attitudes today are understandably harsh and unyielding in opposing the use of illegal drugs. For example, a Gallup Poll conducted for the Institute for a Drug-Free Workplace shows workers overwhelmingly support employer-initiated tests to identify drug users. Only 3 percent of workers think such tests are unnecessary.

"Workers' attitudes are far more conservative than we had anticipated," says Mark A. de Bernardo, executive director of the institute, which is affiliated with the U.S. Chamber of Commerce. "Employees simply do not want to tolerate working with drug abusers on the job."

The workers' stand refutes the argument that drug testing is invariably imposed by employers over the opposition of workers. The views documented in the poll should be a major factor in the shaping of public policy on testing and other steps to win the war against drugs.

Free-Spirited Enterprise

Fresh thinking from the frontiers of American commerce.

By Janet Lowenstein

WHILE YOU'RE AWAY

Packing It In

If you travel on business, keep in your suitcase a checklist of everything you could take or have taken on a trip—to remind you of



ILLUSTRATIONS: SHARON COHEN

what to take the next time.

That's one of the many tips in *The Airline Passenger's Guerrilla Handbook*, by George Albert Brown (The Blakes Publishing Group). This useful guide has advice to make travel easier for the frequent and not-so-frequent traveler—from getting your passport to getting to your destination. It also tells you how to argue with New York cabbies—and when to give up.

One For The Road

A new product from Denmark may have you drinking while you drive.

Coffeebrewer, a six-cup coffee pot distributed by Bojsen International of Monongahela, Pa., is designed to brew coffee in cars and other motor vehicles.

The compact brewer—10½ x 6½ x 4½ inches—plugs into a car's cigarette lighter. It makes coffee in the traditional Scandinavian method, in which boiling water is filtered repeatedly through the ground coffee.





PHOTO: LEE ANDERSON

TIME CAPSULES

Glasnost On The Hour

If Soviet-linked world events are occurring so fast that you're losing track of time, the Soviets themselves can set you straight. Gruen Marketing Corp., of Secaucus, N.J., is offering the Soviet Military Watch; it runs on a Russian quartz movement made in the Poljat watch factory near Moscow.

The water-resistant timepiece has a no-nonsense military look—large black arabic numerals, a red star shining at 12 o'clock, and the capital letters "SOVIET" and "CCCP" (U.S.S.R. in Russian) decorating the face. The strap is brown or black; the face, black or white; and the case is black, rose, or gun-metal steel. It comes with a U.S.-Soviet flag pin like those worn by U.S. and Soviet leaders at summits.

Capitalists can buy the watch for about $100.

A Stopped Watch

W. Moran & Co. of Kansas City, Mo., informs us that its Water Watch, described in this column in October 1989, is no longer available.

SUPER MARKETING

Add Sales

Want your advertising dollars to add up? Put your name on a calculator.

The Shoppers Calculator, distributed by ADDvantage Media Group Inc., of Tulsa, Okla., is a standard solar-powered calculator with room for a 2-inch-square display ad. At no cost to retailers, ADDvantage installs the calculators on the handlebars of stores' shopping carts. It then sells space for product advertising.

ADDvantage says the Shoppers Calculator adds up to increased sales for advertisers and sales opportunities for retailers. And it's a hit with budget-conscious shoppers. **NB**



COMING FEATURES IN *NATION'S BUSINESS*

Taxation *Read Their Lips*	Take a look at the major battles looming in Congress and how they could affect your business.
Environment *The Good Earth*	Avoid liability risks. *Nation's Business*'s guidelines will help you buy environmentally sound property.
Personnel *Stop, Thief!*	White-collar crime can strike any business. Learn what steps you can take to protect your company from theft.


"Otherwise the taxes are simply going to eat up your kids' inheritance."
Blue Chip Advice
Selling off the work of a lifetime to pay estate taxes is unnecessary. But planning is key. Planning and creativity. Our agents may go by the book when setting up an estate plan. But chances are they wrote a few of the chapters, too. That's blue chip advice.
Connecticut Mutual Life Insurance Company
• GroupAmerica Insurance Company • G.R. Phelps & Co. • CM Assurance • State House Capital Management
• CM Asset Advisors • CM Transnational • Diversified Insurance Services of America
Hartford, Connecticut 06154
The CM Alliance
An Alliance of Blue Chip Companies
Circle No. 52 on Reader Service Card.



Don't Believe Everything You Read!

Sometimes you just have to laugh. Especially when it comes to ludicrous headlines like the one above.

You see, today's large "superstores" simply cannot provide the best overall value for your home office. In fact, many don't offer even the most basic customer service and support.

Swintec Corporation, today's number two typewriter company,* takes the opposite approach by giving your home office the full attention it deserves.

Only your local Swintec dealer can provide your home office with:

- **Professional Sales Help**
- **On-Site Service Calls**
- **Factory-Trained Technicians**
- **Special Financing Plans**
- **Personal Training Programs**
- **High-Quality Swintec Machines**

And because you, more than anyone, can't afford problems with your machines, that's a comforting advantage to have.

Consult your yellow pages for the Swintec dealer nearest you or call 1-800-225-0867.

"NOTHING FEELS AS GOOD AS A SWINTEC"

swintec CORPORATION

Circle No. 51 on Reader Service Card.

S.H.O.P.
SWINTEC HOME OFFICE PRODUCTS



*Camarro Research

© 1989 Swintec Corporation

320 W. Commercial Ave., Moonachie, NJ 07074